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WORLDWIDE hotel INDUSTRY

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WORLDWIDE HOTEL INDUSTRY

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FOREWORD

by Juan A. Seif
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Horwath & Horwath International

Sweeping changes are affecting every facet of management for hotels throughout the world. Such aspects as product types, governmental regulations, taxation, technology and consumer tastes—to name just a few—all have undergone a tremendous metamorphosis in the past decade. How specific properties and the industry in general respond to these changes will have a significant impact on the industry for the rest of this century.

The nature of the decisions facing hotel management is continually expanding. The traditional responsibility of pleasing the guests—although still critical—no longer insures success. For properties to remain competitive, their managers must be skillful in many diverse areas. They must possess an understanding of how current events and economics affect the marketplace and show skill in marketing their products. In spite of the increased emphasis on marketing, they must also strive to keep up with the technological revolution taking place in the operations side of the hotel industry. These demands have placed considerable strain on small, independent operators, who cannot rely on the broad management expertise available to their chain-affiliated competitors.

This foreword summarizes many of the technologies that are becoming standard in the lodging industry, because the need to keep up with the latest technology is, perhaps, the industry's greatest challenge. Today's hotel managers must develop a general knowledge of property management systems, security, video teleconferencing, energy management systems, call accounting systems, and reservations and checkout systems—plus understand how all of these systems interface with each other.

Property Management Systems

The front office of a property was an early target market for software development firms. The traditional functions of reservations, registration, cashiering, night audit and rooms management now are available as software packages. As hotels' requirements have become more sophisticated, additional capabilities such as guest history, travel agent systems, sales and marketing analyses, and package and meal plan tracking have also become available. The expanding scope of services that hotels must provide have also led to the development of software to assist in the management of condominiums, membership organizations, function room scheduling, banquet and catering sales, and sports activities scheduling.

The back office of a property has been able to choose from a variety of software packages with standard modules of general ledger, city ledger, accounts payable and payroll. As technology has continued to evolve, more sophisticated functions such as inventory control purchasing, food and beverage management and asset management have become available. With the onset of the personal computer revolution, budgeting and forecasting on computerized spreadsheets will also become more common.

The next generation of software is already being developed. More sophisticated and powerful microcomputer and microcomputer network systems are now available to help 200-room properties run more effectively. In the area of payroll control, "smart" electronic time clocks can now interface into microcomputers or minicomputers, allowing additional control of a critical cost. For example, electronic time clocks can be programmed to prevent employees from punching in much earlier than their shifts begin or from punching in when it is not their shift. At the end of each payroll period, a microcomputer or minicomputer program can access the results in the time clock and provide an automatic interface to the existing payroll program.

Security

Security can be broken down into two major areas: electronic lock systems and surveillance and alarm systems. Electronic locks, which use cards instead of keys to open programmable locks, soon will be standard in new hotels. For existing hotels, conversion will be expensive due to the necessary rewiring requirements. The most important consideration in selecting this type of system is its compatibility with the hotel's other computer systems so that it can access information on such areas as personnel and reservations. Most of these systems are able to provide a listing of the last 10–15 guests occupying a particular room, lock out all personnel from any given room and provide management with the ability to override locking in cases of fire, safety and energy conservation.

There are a variety of types of surveillance and alarm systems in use in hotel properties. According to a recent article in *Lodging* magazine, the six highest ranking types of surveillance in order of usage are closed circuit TV, predominantly used for multiple entry properties; microwave systems, primarily used for perimeter protection; radio frequency fields; photoelectric light beams, primarily used for outside perimeter protection; seismic detectors and infrared beams.

Video Teleconferencing

Video teleconferencing, the technology that permits a meeting to be held at several locations at the same time, originally was viewed as a potential threat to hotel revenue. Hoteliers currently view it as an additional revenue source and a supplement to their business, rather than as a replacement for travel.

There are several variations, the most common of which involves a broadcast to several meeting sites; participants can respond or ask questions by telephone. It is also possible to hold interactive meetings with participants at several sites, although this is more expensive. The most popular applications for video teleconferencing include new product introductions, national sales meetings, keynote speakers' presentations, training and policy seminars, stockholder meetings, political addresses, media briefings, motiva-

tional meetings and conference wrap-up meetings.

The video teleconferencing market is expected to continue its recent growth and at a reduced price. As the concept becomes more generally accepted, more hotels or groups of hotels may include this capability.

Energy Management

Energy management is advancing in two areas: heating, ventilation and air conditioning (HVAC) systems and cogeneration. Today's HVAC systems recognize when guests are in their rooms and regulate cycles accordingly. Room movement is electronically monitored through logic circuits and sensors. Savings are achieved through load cycling, time of day cycling, and peak load scheduling and monitoring. Cogeneration, which is beginning to gain popularity, involves the use of any energy source to generate power as well as heating or cooling energy. Hotels that have the right combination of electricity and thermal energy requirements can profit by using cogeneration. Although the concept of cogeneration has been around for a number of years, continued increases in utility costs have only recently made the concept viable.

Call Accounting

The area of call accounting has always received considerable management attention in Europe but has only recently been accorded the same importance in the United States, with the deregulation of the phone system. Due to the variety of long distance services and rates, many American hoteliers are considering a telecommunications network analysis. This analysis examines calling patterns, needs of the call accounting and PBX (computerized switching) system, specific vendor alternatives and historical downtime and maintenance requirements. A recent report in *MIS Week* regarding the North American Telecommunications Association convention points to the changes foreseen in the PBX market. NEC, Hitachi, Toshiba America and Mitel all announced new products targeted at the hotel industry.

Reservations and Checkout

Automated reservations are possible today with voice response units. The voice response unit is a PBX add-on that allows callers to make reservations by phone without talking to a person. People Express Airlines began using this technology in spring 1985 for reservations. The voice response unit is made by AT&T and Boston-based Perception Technology Corporation and uses a computer generated voice that responds to numbers keyed by the caller on a touch-tone telephone. Telecommunications consultants claim these machines can cut reservation labor costs in half.

Another recent innovation is guest-activated checkout. The EECO Self Check unit, at a cost of $15,000, allows a guest to check out without any intervention by hotel personnel. The technology consists of a touch screen monitor, laser disk, credit card reader, folio printer and an interface to the property management system. This same technology can also be applied so that guests can access detailed information on hotel services and facilities.

Staying Competitive

As noted above, hotel-related technology is moving forward on a variety of fronts. Other innovations, such as personal computers in guest rooms and computerized wake-up calls are in use in a growing segment of the hotel industry. Holiday Inn envisions a "room of the future" containing a computer and meeting area for six to eight people, with television security capable of showing a guest outside the door. Each hotelier must evaluate which technologies provide the greatest cost/benefit for the property and how these will affect the hotel's perceived image and market position.

More importantly, hotel management must determine whether *not* implementing the latest technology will ultimately hurt profitability. If computerized systems are already cutting operating costs for a hotel's competitors, can a property afford not to make similar advances? The same applies to benefits or available options guests may receive as a result of technology.

Particularly in the area of security, guests may come to expect the latest technology. Hotel guests injured during burglaries have won cases in court against hotels that have been negligent in controlling room keys. As security technology improves and becomes more affordable, hotels are likely to be held even more liable for breaches in security.

Today's hotel management faces many challenges, not the least of which is the growing availability and dependence on technology. From one perspective, technology has opened up new opportunities in streamlining operations and delivering better service. However, it has also established a new set of standards for hotels to meet. How hoteliers adapt to these new technologies will be one more criteria for success in an already challenging industry.

I would like to thank everyone who contributed to this year's report. We were gratified at the increased response to our questionnaire. Special thanks should be extended to the industry representatives who contributed articles on the state of tourism and the lodging industry in their part of the world.

AVANT-PROPOS

Toutes les facettes de la gestion hôtelière ont connu des modifications radicales au niveau mondial. Certains aspects des opérations, tels les types de produits, les règlementations légales et fiscales, la technologie ou les goûts de la clientèle, pour n'en citer que quelques-uns, ont connu une métamorphose profonde au cours de la dernière décennie.

Les réponses que sauront apporter les exploitations hôtelières et l'industrie en général, auront un impact qui se prolongera jusqu'à la fin du siècle.

La nature des décisions auxquelles est confrontée la gestion hôtelière s'accroît continuellement. La responsabilité traditionnelle qui est celle de plaire aux clients, si elle reste un élément critique, n'est plus un gage de succès. La compétitivité des exploitations nécessite une compétence des gestionnaires dans des domaines multiples. Ceux-ci doivent comprendre la manière dont les évènements courants influent sur le marché et doivent démontrer leur capacité à commercialiser leurs produits.

Malgré l'importance croissante donnée au marketing, les gestionnaires doivent suivre la révolution technologique que subit le secteur opérationnel de l'industrie hôtelière.

Ces exigences pèsent très lourd sur les petits exploitants individuels qui ne peuvent s'appuyer sur une expertise étendue de la gestion, dont disposent les concurrents affiliés à des chaînes.

Cet avant-propos liste plusieurs des technologies qui deviennent des standards dans l'industrie hôtelière, car le besoin de se maintenir à niveau en matière de technologie est, sans doute, le plus grand défi qu'affronte l'industrie.

Les gestionnaires actuels doivent posséder une connaissance générale des systèmes de gestion de l'exploitation, de la sécurité, des téléconférences vidéo, des systèmes de gestion de l'énergie, de la facturation téléphonique, des systèmes de réservation et des procédures de départ des clients. Ils doivent, de plus, comprendre l'interaction entre ces systèmes.

La Gestion des Exploitations

La réception a été une des premières cibles des firmes de développement de logiciels. Les fonctions traditionnelles, telles la réservation, l'enregistrement, les encaissements, le night-audit et la gestion, sont maintenant disponibles sous forme de progiciels.

A la suite de la sophistication croissante des besoins des hôtels, des fonctions nouvelles, telles l'historique des clients, la gestion des comptes agences de voyages, les analyses de vente ou de marketing, le suivi des pensions et forfaits, ont été ajoutées.

Cette expansion du domaine des services offerts par les hôtels a mené au développement de logiciels d'assistance à la gestion de condominiums et d'organisations associatives, à la planification des salles de fonction, aux ventes banquet ou traiteur, ainsi que des activités sportives.

Les fonctions administratives, telles la comptabilité générale, les comptes clients et fournisseurs, la paye, sont offertes par une variété de logiciels disposant de modules standardisés. L'évolution technologique a permis l'addition de fonctions sophistiquées, telles le contrôle des achats et des stocks, la gestion de la restauration et celle des éléments d'actif.

La révolution des ordinateurs personnels a vulgarisé l'élaboration des budgets et des prévisions sur les feuilles de travail électroniques.

La génération suivante des logiciels existe déjà. Des microordinateurs et des réseaux de micro-ordinateurs plus puissants et plus sophistiqués sont disponibles pour aider à une exploitation plus efficace des unités de 200 chambres.

Dans le domaine du contrôle des frais de personnel, des horloges de pointage "intelligentes" sont maintenant reliées aux micro ou mini-ordinateurs, permettant ainsi un meilleur contrôle d'un poste de charge critique.

Les horloges, par exemple, peuvent être programmées pour éviter que les employés pointent longtemps avant le début de leur prise de service ou lorsqu'ils ne sont pas de service. A la fin de chaque période de paye, un micro ou mini-ordinateur peut avoir accès aux enregistrements de l'horloge et les connecter aux programmes de paye.

Sécurité

La sécurité se divise en deux domaines principaux: les serrures électroniques et les systèmes de surveillance et d'alarme. Les serrures électroniques qui utilisent des cartes à la place de clés pour ouvrir des serrures programmables figureront bientôt dans tout nouvel hôtel. L'équipement d'hôtels existants est coûteux, car il nécessite une modification du système électrique.

Le point le plus important lors de la sélection de ce type de système est la compatibilité avec les autres systèmes informatiques de l'hôtel de manière à pouvoir établir une connection avec les fonctions du personnel ou de la réservation.

La majorité de ces systèmes est capable: d'établir une liste des 10 à 15 dernières personnes ayant occupé une chambre particulière, d'interdire l'accès d'une chambre particulière au personnel et permet aux responsables d'exploitation de passer outre aux systèmes de fermeture en cas d'incendie, de problèmes de sécurité ou pour les besoins d'économies d'énergie.

Une grande variété de systèmes d'alarme et de surveillance existe dans les hôtels. Selon un récent article de la revue *Lodging* les six premiers types de surveillance par ordre d'utilisation sont: la télévision en circuit fermé utilisée généralement par les exploitations à entrées multiples, les systèmes à micro-ondes pour la surveillance de l'environnement immédiat, les champs de fréquence radio, les rayons photoélectriques pour la surveillance du périmètre extérieur, les détecteurs sismiques et les rayons à infrarouge.

Téléconférence Vidéo

La téléconférence vidéo qui permet à une réunion de se tenir en plusieurs endroits différents au même moment, a été considérée au départ comme une menace pour les recettes des hôtels. Actuellement, ce système est considéré pour les hôteliers comme une source additionnelle de revenus et comme une source d'affaires supplémentaires plutôt que comme un substitut aux déplacements.

Plusieurs méthodes existent, la plus répandue étant la retransmission vers différents endroits où les participants peuvent dialoguer par téléphor... Il est également possible de tenir des réunions interactives, comprenant plusieurs participants répartis en différents endroits, mais cette alternative est plus coûteuse.

L'utilisation la plus populaire de la téléconférence vidéo est l'introduction de produits nouveaux, les réunions de ventes annuelles, la présentation d'un orateur principal, les séminaires de formation et de stratégie, les réunions d'actionnaires, les discours politiques, les conférences de presse, les réunions de motivation et les réunions de synthèse de conférences.

Le marché de la téléconférence vidéo devrait poursuivre sa croissance récente et offrir des prix plus avantageux. Lorsque le concept sera plus généralement accepté, plus d'unités et de groupes hôteliers devraient offrir ce service.

La gestion des Charges Énergétiques

La gestion des charges énergétiques concerne deux domaines: la cogénération et les systèmes de chauffage, de ventilation et de conditionnement d'air. Les systèmes de climatisation actuels sont capables de percevoir la préscence ou non d'un client dans une chambre et de régler son propre cycle de façon appropriée.

Les mouvements dans les chambres sont captés par des circuits logiques et par des senseurs.

Les économies résultent d'une régulation des charges, d'une répartition de celles-ci en fonction des heures de la journée, de la programmation et de la surveillance des charges maximum.

La cogénération, dont la popularité commence à croître, implique l'utilisation de n'importe quelle source d'énergie pour la production d'électricité, de chaleur ou de fraîcheur.

Les hôtels ayant la bonne combinaison entre ses besoins en énergie thermale ou

électrique peuvent profiter de l'utilisation de la cogénération. Le concept de cogénération existe depuis plusieurs années, mais a été rendu viable par la croissance du coût de l'énergie.

Les Charges de Téléphone

La gestion du coût du téléphone a toujours été suivie de près par les exploitants en Europe, mais n'a bénéficié d'une importance comparable aux Etats-Unis qu'à la suite de la dérégulation du système téléphonique. Du fait du nombre de services et de tarifs longue distance, plusieurs hôteliers américains entreprennent une analyse des réseaux de télécommunication.

Cette analyse prend en compte les habitudes d'appel, les besoins en terme de contrôle et de système de PBX (standard informatisé), les différentes alternatives offertes sur le marché, l'historique des pannes et des besoins en maintenance.

Un rapport récent de *MIS Week* sur la convention de l'association Nord-Américaine des télécommunications évalue les changements prévisibles sur le marché du PBX. NEC, Mitachi, Toshiba America et Mitel ont annoncé l'apparition de nouveaux produits destinés à l'industrie hôtelière.

Réservation et Départ Client

L'automatisation de la réservation est aujourd'hui possible grâce à des unités à réponse vocale. Cette unité est un module couplé au PBX qui permet au client de faire une réservation au téléphone sans s'adresser à une personne. Ce système de réservation a été utilisé au printemps 1985 par la compagnie aérienne People-Express.

L'unité à réponse vocale est fabriquée par AT&T et par la firme de Boston: Perception Technology Corporation. Elle utilise la parole d'un générateur de voix informatisé qui répond aux chiffres envoyés par le client utilisant un téléphone à touche. Les consultants en télécommunication estiment que ces systèmes peuvent réduire les coûts de personnel de la réservation de moitié.

Une autre innovation récente a été introduite, il s'agit d'un système EECO permettant aux clients d'accomplir eux-mêmes les formalités de départ sans l'intervention du personnel de l'hôtel, dont le coût s'élève à 15 000 $. Le système utilise un écran tactile, un disque laser, un lecteur de carte de crédit, une imprimante pour les folios et une interface connectée au système informatique de l'hôtel.

Les mêmes équipements peuvent être utilisés pour informer les clients des services et installations offerts par l'hôtel.

Etre Compétitif

Ainsi, les technologies appliquées à l'hôtellerie progressent sur plusieurs fronts. D'autres innovations, telles la présence d'ordinateurs personnels dans les chambres, les systèmes de réveil informatisés, sont utilisées par un nombre croissant de segments de l'industrie hôtelière. La "chambre du futur" élaborée par Holiday Inn comprend un ordinateur, un espace de réunion pour six à huit personnes avec un système de sécurité faisant apparaître sur le téléviseur la personne présente de l'autre côté de la porte. Chaque hôtelier doit évaluer les systèmes pouvant lui procurer le meilleur ratio coût/profit, et l'impact de l'implantation des systèmes sur l'image de l'hôtel et sur son positionnement sur le marché.

Il est encore plus important de déterminer dans quelle mesure la *non* implantation des systèmes les plus récents affectent la rentabilité d'une unité hôtelière.

Dans la mesure où les systèmes informatisés réduisent déjà les charges d'exploitation des concurrents d'un hôtel, celui-ci peut-il se permettre de ne pas se maintenir au même niveau ? Ce même raisonnement s'applique aux avantages et aux options dont bénéficient les clients du fait des nouvelles technologies.

La sécurité est le domaine où le client peut particulièrement s'attendre à trouver les dernières innovations.

Des clients blessés au cours de cambriolages ont gagné des procès contre des hôtels ayant fait preuve de négligence dans le contrôle des clés des chambres; la responsabilité des hôteliers peut être accrue lorsque l'insuffisance des mesures de sécurité est constatée.

Les exploitants hôteliers actuels font face à plusieurs défis dont le moindre n'est pas le nombre croissant des technologies desquelles ils dépendent de plus en plus.

D'un certain point de vue, la technologie a offert l'opportunité de rationaliser les opérations en offrant un meilleur service, toutefois, elle a établi une ligne de nouveaux standards auxquels les hôtels doivent se conformer.

L'adaptation des hôteliers à ces nouvelles technologies sera un critère de succès de plus au sein d'une industrie déjà concurrentielle.

J'aimerai remercier chaque personne ayant contribué à ce rapport annuel. Nous nous réjouissons de la progression des réponses à notre questionnaire.

Nous remercions tout particulièrement les représentants de l'industrie qui ont contribué aux articles sur les statuts du tourisme et de l'industrie hôtelière dans leur partie du monde.

VORWORT

Umfassende Änderungen beeinflussen jeden Bereich des Hotelmanagements in der ganzen Welt. Aspekte wie Produktarten, Regierungsverordnungen, Besteuerung, Technologie und Geschmack der Konsumenten—um nur einige wenige zu nennen—haben im vergangenen Jahrzehnt alle eine große Veränderung erfahren. Wie spezielle Unternehmen und das Gewerbe insgesamt auf die Veränderungen reagieren, wird wesentlichen Einfluß auf das Gewerbe für den Rest dieses Jahrhunderts haben.

Die Art der Entscheidungen, mit denen das Hotelmanagement konfrontiert wird, wird immer umfassender. Die traditionelle Aufgabe, die Gäste zufrieden zu stellen, obwohl immer noch von besonderer Wichtigkeit, sichert nicht länger den Erfolg. Die Manager von Hotels, die konkurrenzfähig bleiben wollen, müssen auf vielen verschiedenen Gebieten bewandert sein. Sie müssen Verständnis dafür haben, wie sich gegenwärtige Ereignisse und die Wirtschaftslage auf ihrem Markt auswirken und sie müssen Gespür bei der Vermarktung ihrer Produkte zeigen. Trotz wachsender Bedeutung des Marketing müssen sie auch danach streben, mit der technologischen Umwälzung im Hotelbetrieb Schritt zu halten. Diese Anforderungen haben erhebliche Auswirkungen auf kleinere unabhängige Unternehmer, die nicht auf die vielfältige Managementerfahrung ihrer kettenverbundenen Wettbewerber zurückgreifen können.

Dieses Vorwort führt viele Technologien an, die im Hotelgewerbe zukünftig zum Standard gehören werden, weil die

Notwendigkeit, mit der neuesten Technologie Schritt zu halten, vielleicht die größte Herausforderung des Gewerbes ist. Heutige Hoteldirektoren müssen sich Grundkenntnis von Hotelverwaltungs-Systemen, Sicherheit, Video-Konferenzen, Energiesteuerung, Telefon-Abrechnungs-Systemen und Reservierungs- und Abrechnungssystemen verschaffen und müssen zusätzlich verstehen, wie all diese Systeme miteinander verknüpft sind.

Hotelverwaltungs-Systeme

Der Empfang eines Hotels war schon früh ein Zielpunkt für Softwarehäuser. Die traditionellen Funktionen, wie Reservierung, Registrierung, Kassenführung, Kassenabschluß und Zimmerverwaltung sind jetzt als Softwarepakete erhältlich. Als die Anforderungen der Hotels größer wurden, kamen zusätzliche Programme wie Gästekartei, Reisebüroabwicklung, Verkaufs- und Marketinganalysen sowie Statistiken über die Anteile der Gäste mit Pauschalarrangements bzw. Halb- oder Vollpension hinzu. Das immer größer werdende Dienstleistungsangebot, das Hotels bereitstellen müssen, hat auch zur Entwicklung von Programmen geführt, die der Verwaltung von Eigentumswohnungen und Vereinen, der Planung für die Belegung von Veranstaltungsräumen, Bankett- und Catering-Aufträge sowie Sportveranstaltungen dienen.

Die Verwaltung eines Hotels konnte bisher aus einem breiten Angebot von Softwarepaketen mit Standardprogrammen für die Finanzbuchführung, Debitoren-und Kreditoren-Kontokorrent und Lohnabrechnung auswählen. Durch die Weiterentwicklung wurden auch verfeinerte Programme wie für Einkauf aufgrund von Mindestbestandskontrollen, umfassende Überwachung des Speisen- und Getränke-Bereichs und Anlagenbuchführung verfügbar. Mit der Umwälzung durch die Personal-Computer werden auch Finanzplanung und Ergebnisvorschaurechnung mittels EDV üblich werden.

Die nächste Softwaregeneration wird schon entwickelt. Technisch ausgefeiltere und leistungsfähigere Microcomputer und deren Verbundsysteme sind nun in der Lage, ein 200-Zimmer-Hotel effizienter zu führen. Auf dem Gebiet der Personalkontrolle können "intelligente" Zeiterfassungs-systeme mit Micro- oder Minicomputern verbunden werden und ermöglichen so eine zusätzliche Kontrolle über diesen entscheidenden Kostenfaktor. Zum Beispiel können elektronische Stechuhren so programmiert werden, daß Mitarbeiter ihre Karten nicht abstempeln können, wenn sie dies geraume Zeit vor Schichtbeginn versuchen oder wenn sie gar nicht zur Schicht eingeteilt sind. Am Ende des jeweiligen Lohnabrechnungszeitraumes kann ein Micro- oder Minicomputerprogramm auf die Daten der Stechuhr zugreifen und sie über eine automatische elektronische Schnittstelle in ein bestehendes Lohnprogramm übertragen.

Sicherheit

Sicherheitsmaßnahmen lassen sich in zwei größere Gebiete aufteilen: elektronische Schließsysteme sowie Überwachungs- und Alarmsysteme. Programmierbare elektronische Schlösser, die mit Karten anstatt mit Schlüsseln geöffnet werden, gehören in neuen Hotels bald zum Standard. Für bestehende Hotels wird die Umrüstung aufgrund der Notwendigkeit, neue Leitungen zu verlegen, teuer sein. Für die Auswahl dieses Systems gilt als wichtigste Überlegung, daß es mit dem vorhandenen Computersystem des Hotels vereinbar ist, damit der Zugriff auf Informationen aus den Bereichen Personalwesen und Reservierung möglich ist. Die meisten dieser Schließanlagen können eine Liste mit den letzten 10-15 Gästen erstellen, die ein bestimmtes Zimmer belegten, oder das gesamte Personal am Betreten irgendeines Zimmers hindern, oder sie können die Direktion in die Lage versetzen, bei Feuer, aus Sicherheitsgründen und zur Energieeinsparung das elektronische Schloß auszuschalten.

Es gibt eine Vielzahl von Überwachungs- und Alarmsystemen, die in Hotelgebäuden verwendet werden. Gemäß einem vor kurzem in der Zeitschrift "Lodging" erschienenen Artikel sind die sechs am meisten verwendeten Überwachungsanlagen: TV-Überwachung, vorwiegend bei Gebäuden mit mehreren Eingängen, Microwellen-Systeme, bevorzugt für die Bewachung der Peripherie, Hochfrequenzfelder, photoelektrische Lichtschranken, vorwiegend zur Überwachung von Außenanlagen, Bewegungsmelder und Infrarotlichtschranken.

Video-Konferenz

Video-Konferenz, eine Technik, die eine Zusammenkunft an verschiedenen Orten zur gleichen Zeit ermöglicht, wurde ursprünglich als eine mögliche Gefahr für die Hotelumsätze angesehen. Gegenwärtig betrachten Hoteliers sie eher als zusätzliche Einnahmequelle und als Ergänzung zu ihrem Geschäft anstatt als Ersatz für Reisen.

Es gibt verschiedene Variationen dieser Art von Konferenzen, wobei die gebräuchlichste davon eine Übertragung zu verschiedenen Tagungsorten beinhaltet; Teilnehmer können mittels Telefon antworten oder Fragen stellen. Es ist auch möglich, Treffen mit Teilnehmern an mehreren Orten abzuhalten, die direkt miteinander sprechen können, wenn dies auch teuerer ist. Die populärsten Anlässe für Video-Konferenzen sind Vorstellungen von neuen Produkten, nationale Verkäufer-Treffen, Ansprachen von Hauptrednern einer Veranstaltung, Schulungsveranstaltungen, Aktionärsversammlungen, politische Ansprachen, Pressekonferenzen, Motivationstreffen und Treffen zur Zusammenfassung vergangener Konferenzen.

Vom Video-Konferenzmarkt erwartet man weiteres Wachstum zu niedrigeren Preisen. Wenn dieses Konzept stärker akzeptiert wird, dürften weitere Hotels oder Hotelgruppen diese Möglichkeiten anbieten.

Energiesteuerung

Die Energiesteuerung entwickelt sich in zwei Bereichen: Heizungs-, Belüftungs- und Klimatisierungs-Systeme (HBK) und Energierückgewinnung. Die heutigen HBK-Systeme erkennen die Anwesenheit von Gästen in ihren Zimmern und regulieren das Raumklima entsprechend. Bewegung im Zimmer wird durch Schaltkreise und Sensoren elektronisch überwacht. Einsparungen erreicht man durch die Verbindung von Belastungskontrolle, Tageszeiteingaben und Planung der Spitzenbelastung sowie deren Überwachung. Energierückgewinnung, die populär zu werden beginnt, nutzt jegliche Energiequelle zur Erzeugung sowohl von Strom als auch von Wärme oder Kälte. Hotels mit passender Zusammensetzung von elektrischer und thermischer Energie können von der Energierückgewinnung profitieren. Obwohl das Konzept der Energierückgewinnung seit einigen Jahren existiert, haben erst anhaltend steigende Energiekosten das Konzept rentabel werden lassen.

Telefon-Abrechnungs-Systeme

Das Gebiet der Erfassung von Telefongesprächen hat in Europa schon immer erhebliche Beachtung beim Management gefunden. In den Vereinigten Staaten hat es erst kürzlich dieselbe Bedeutung erlangt, bedingt durch die Aufhebung einschränkender Vorschriften im Telefonwesen. Aufgrund einer Vielzahl von Gebührensätzen und Dienstleistungen bei Ferngesprächen denken viele amerikanische Hoteliers über eine Analyse des Telekommunikations-Netzwerkes nach.

Diese Analyse untersucht das Verhalten der Telefonbenutzer, die Notwendigkeit des Telefongesprächs-Erfassungs und PBX (Computergestützte Vermittlung) Systems, spezielle Alternativen der Hersteller und bisherige Ausfallzeiten sowie Instandhaltungserfordernisse. Ein kürzlich erschienener Bericht in "MIS Week" bezieht sich auf den Kongress der "North American Telecommunications Association" und zeigt die künftigen Veränderungen des PBX-Marktes auf. NEC, Hitachi, Toshiba America und Mitel kündigten alle neue Produkte für das Hotelgewerbe an.

Reservierungen und Checkout

Automatische Reservierungen sind heute mit künstlichen Antwortstimmen direkt möglich. Die Spracheinheit ist eine Ergänzung zu PBX, wodurch Anrufer Reservierungen tätigen können, ohne mit einer Person zu sprechen.

Die Fluggesellschaft "People Express" begann im Frühjahr 1985 diese Technik für Reservierungen zu verwenden. Die Spracheinheit wird von AT & T und von der in Boston ansässigen "Perception Technology Corporation" hergestellt und gebraucht eine vom Computer erzeugte Stimme, die auf vom Anrufer am Telefon eingegebene Zahlen antwortet. Telekommunikations-Berater behaupten, daβ diese Anlagen die Personalkosten in der Reservierung halbieren können.

Eine andere kürzlich erfolgte Innovation ist der Checkout durch den Gast selbst. Das zum Preis von 15.000 US-$ erhältliche "EECO Self Check"-Gerät ermöglicht eine Abreise des Gastes ohne jegliche Mitwirkung durch das Hotelpersonal. Die Geräte umfassen einen berührungsempfindlichen Bildschirm, Laser-Platte, Kreditkartenleser, Rechnungsdrucker und eine Schnittstelle zur Datenverarbeitungsanlage des Hotels. Die gleiche Technik kann auch von Gästen benutzt werden, um detaillierte Informationen über das Dienstleistungsangebot und die räumlichen Gegebenheiten des Hotels zu erhalten.

Erhaltung der Wettbewerbsfähigkeit

Wie bereits oben angeführt, entwickelt sich die hotelbezogene Technik auf vielen Gebieten weiter. Andere Innovationen, wie zum Beispiel Personal-Computer in Gästezimmern oder computergesteuerte Weckrufe, werden bereits in einem wachsenden Teil des Hotelgewerbes genutzt. Holiday Inn stellt sich vor, daβ das Zimmer der Zukunft einen Computer sowie Platz für Konferenzen für sechs bis acht Personen enthält und mit einer TV-Sicherheitsanlage ausgestattet ist, um Gäste vor der Zimmertür zu erkennen. Jeder Hotelier muβ selbst beurteilen, welche Techniken seinem Unternehmen das beste Kosten-Nutzen-Verhältnis bringen und wie sie das Image und die Marktstellung des Hotels beeinflussen.

Für die Hotelleitung ist es weit wichtiger zu entscheiden, ob die Unterlassung der Installation modernster Technik letztlich die Rentabilität beeinträchtigt. Wenn computergestützte Systeme die Betriebskosten eines Wettbewerbers bereits senken, kann es sich dann ein Unternehmen leisten, ähnliche Verbesserungen zu unterlassen? Das gleiche gilt für Annehmlichkeiten und mögliche Angebote, die Gäste aufgrund der Technik in Anspruch nehmen könnten.

Besonders auf dem Gebiet der Sicherheit dürften Gäste zukünftig die neuesten Techniken erwarten. Hotelgäste, die bei Einbrüchen verletzt wurden, haben Gerichtsverfahren gegen Hotels gewonnen, die die Schlüsselkontrolle nachlässig handhabten. Wenn die Sicherheitstechnik weiter verbessert und erschwinglicher wird, werden Hotels wahrscheinlich noch öfter für Lücken im Sicherheitssystem haftbar gemacht werden.

Das heutige Hotelmanagement steht vielen Herausforderungen gegenüber, nicht zuletzt wegen der zunehmenden Verfügbarkeit und Abhängigkeit von der Technik. Auf der einen Seite hat die Technik neue Möglichkeiten bei der Modernisierung der Betriebsführung und beim Bereitstellen von besseren Dienstleistungen eröffnet. Andererseits hat sie auch einige neue Standards für Hotels geschaffen. Wie Hoteliers diese neuen Techniken annehmen, wird ein weiteres Kriterium für den Erfolg in einem schon wettbewerbsintensiven Gewerbe sein.

Ich danke jedem, der zu der diesjährigen Studie beigetragen hat. Wir freuen uns über die zunehmende Beantwortung unseres Fragebogens. Besonderer Dank sollte den Vertretern des Gewerbes ausgesprochen werden, die Berichte über den Stand des Tourismus und des Hotelgewerbes in ihrem Teil der Welt beigesteuert haben.

PROLOGO

Cambios significativos están afectando todas las faces de la administración hotelera a través del mundo. Aspectos tales como tipo de producto, regulaciones gubernamentales, cargas fiscales, tecnología y preferencias del consumidor, para nombrar sólo algunos, han experimentado una gran metamórfosis en la última década. La reacción de las propiedades individuales y de la industria en general a éstos cambios tendrá un impacto material en la industria hotelera por el resto del siglo.

La naturaleza de las decisiones a que se enfrentan las administraciones hoteleras están en contínua expansión. La responsabilidad tradicional de complacer a los huéspedes, aunque aún crítica, no asegura el éxito. Para que las propiedades hoteleras permanescan competitivas, los gerentes deben de tener experiencia en diversas áreas. Los mismos deben de estar al tanto de los acontecimientos y la economía que afectan al mercado y deben de demostrar abilidad en el mercadeo de sus productos. Además del énfasis en mercadeo, los gerentes hoteleros deben de mantenerse al día en la revolución tecnológica que está ocurriendo en el área operacional de la industria hotelera. Estos requerimientos ponen presión sobre los operadores de hoteles pequeños o independientes, los cuales no tienen a su disposición los recursos de la amplia experiencia administrativa disponibles a sus competidores afiliados a las cadenas hoteleras.

Este prólogo resume varias de las tecnologías que están entrando en el uso cotidiano de la industria hotelera, por cuanto la necesidad de mantenerse al día con los últimos adelantos tecnológicos es

talvés el mayor reto de la industria.

El gerente hotelero de hoy debe de desarrollar conocimientos generales de sistemas de administración de propiedades, seguridad, teleconferencias, sistemas de control de energía, sistemas de control automático de llamadas telefónicas y sistemas de reservaciones y pago de facturas hoteleras, y además, debe de entender cómo todos estos sistemas se entrelazan entre sí.

Sistema de Administracion de Propiedades

El area de recepción de una propiedad hotelera fué el blanco u objetivo original de las compañias que desarrollan programas de computación. Las funciones tradicionales de reservación, recepción, caja, auditoría nocturna y administración de las habitaciones se encuentran ahora disponibles a través de programas de computación. A medida que los requerimientos hoteleros se han vuelto más sofisticados se ha agregado capacidad adicional, tal como el historial del huésped, sistemas para agentes de viajes, análisis de venta y mercadeo, y control sobre planes de habitaciones y comidas, también se encuentran disponibles. La contínua expansión en el alcance de los servicios que los hoteles deben de proveer ha resultado en el desarrollo de programas para asistir en la administración de condominios, organizaciones de membrecía, programación de actividades, banquetes, y funciones dentro y fuera del hotel, así como la programación de actividades deportivas.

La oficina contable de la propiedad también ha tenído la oportunidad de escoger entre una variedad de paquetes de programas con módulos standard para el mayor general, las cuentas de ciudad, cuentas a pagar y nóminas. Con el avance de la tecnología, se ha logrado desarrollar funciones más sofisticadas tales como el control de inventario y compras, la administración de comestibles y bebidas y la administración de activos. Con la evolución de la computadora personal, las proyecciones y presupuestos a través de hojas de trabajo electrónicas se han vuelto muy común.

La próxima generación de programas ya se encuentra en desarrollo. Microcomputadoras más sofisticadas y poderosas y sistemas de enlaces ya están disponibles para ayudar a propiedades de unas 200 habitaciones a ser administradas más eficazmente. En el área del control de nóminas, relojes electrónicos de control de tiempo pueden ahora entrelazarce con microcomputadoras o minicomputadoras permitiendo así un control adicional en un área de costo crítico.

Por ejemplo, los relojes electrónicos de control de tiempo pueden ser programados para preveer que los empleados no marquen su llegada más temprano que el comienzo de su turno, o que no les permita marcar su llegada cuando no están dentro de su turno. Al final de cada período de nómina, el programa de microcomputadora o minicomputadora puede analizar los resultados en el reloj de tiempo y proveer un enlace automático con los programas de nómina existentes.

Seguridad

El área de seguridad consta de dos principales conponentes: las cerraduras a través de sistemas electrónicos y sistemas de alarmas y vigilancia. Las cerraduras electrónicas a través de las cuales se usan tarjetas en vez de llaves para abrir cerraduras programables serán, dentro de poco, de uso común en los hoteles nuevos. Para los hoteles existentes ésta conversión será cara debído al costo de alambraje requerído. La más importante consideración en la selección de éste tipo de sistema es su compatibilidad con los otros sistemas de computación del hotel para que este pueda tener acceso a áreas como personal y reservaciones. La mayoría de estos sistemas pueden proveer un listado de los últimos diez a quince huéspedes que ocuparon cada habitación y tambien prohibir la entrada de personal interno a una habitación específica. Además, le permite a la administración circumbalar al sistema en caso de incendio, por razones de seguridad o de conservación de energía.

Existe una variedad de sistemas de vigilancia y alarmas en uso en propiedades hoteleras. De acuerdo a un artículo publicado recientemente en la revista *"Lodging"* los seis principales sistemas de vigilancia segun orden de uso son: televisión de circuíto cerrado, el cual es usado principalmente por propiedades con entradas múltiples; sistemas de microondas usados principalmente para protección del perímetro de la propiedad; frecuencias radiales; células fotoeléctricas, las cuales son usadas principalmente para protejer perímetros exteriores y detectores sísmicos y de rayos infrarojos.

Teleconferencias

Teleconferencias es la tecnología que permite que se celebre una reunión al mismo tiempo en diversas localizaciones. Esto originalmente fué considerado como una amenaza a las fuentes de ingreso de los hoteles. Los hoteleros en la actualidad lo ven como una fuente adicional de ingresos y como un suplemento a sus fuentes de negocios en vez de como un reemplazo a las oportunidades de viajar.

Existen numerosas variaciones. La más común envuelve una transmisión a diversas localidades y permite que los participantes puedan responder o hacer preguntas directamente por teléfono. Es también posible el llevar a cabo reuniones con participantes en diversas localidades y que exista intercambio de actividades simultaneamente, sin embargo, esto es mucho más costoso. Los principales usos para teleconferencias en estos momentos son la introdución de nuevos productos, las reuniones nacionales de ventas, los discursos o conferencias por personajes distinguidos, seminarios sobre entrenamiento y política corporativa, reuniones de accionistas, discursos políticos, comunicaciones a las fuentes periodísticas y reuniones motivacionales o de cierre de conferencias.

El mercado de teleconferencias se espera que continúe creciendo pero a un costo reducido. A medida que el concepto es más aceptado se espera que hoteles o grupos de hoteles tendrán este sistema a disponibilidad de sus huéspedes.

Administracion de Energia

La administración de energía está avanzando en dos áreas específicas. Calefacción, ventilación y sistemas de aire acondicionado (HVAC) y cogeneración. Los sistemas de HVAC tienen la capacidad de saber cuando un huésped se encuentra en su habitación y regula los ciclos de acuerdo con ésto. Los movimientos dentro de la habitación son detectados electrónicamente a través de circuitos lógicos y sensores. Los ahorros se logran a través de ciclos de carga, ciclos de tiempos del día y vigilancia y programación de cargas máxima. Cogeneración, lo cual está empezando a ganar popularidad, envuelve el uso de cualquier tipo de energía para generar fuerza así como calefacción o

enfriamiento. Los hotels que tienen la combinación apropiada de electricidad y energía térmica pueden beneficiarse por el uso de la cogeneración. A pesar de que el concepto de cogeneración ha estado disponible por un número de años, los continuos aumentos en los costos energéticos han provocado que sólo recientemente este concepto sea economicamente factible.

Sistemas de Control de Llamadas

El área de control de llamadas telefónicas siempre ha recibido una atención considerable de parte de la administración en Europa, pero solo con la reciente deregulación de los sistemas telefónicos se le ha acordado la misma importancia en los Estados Unidos. Debido a la variedad de los sistemas de larga distancia y tarifas, muchos hoteleros norteamericanos están considerando un análisis de sus sistemas de telecomunicación. Este análisis examina el patrón del llamadas, las necesidades del sistema de control y de la central electrónica computarizada (PBX), la disponibilidad de suplidores de equipo y los datos históricos de desuso y requerimientos de mantenimiento. Un informe reciente en *"MIS Week"* sobre la convención de la Asociación Norteamericana de Telecomunicaciones, anota los cambios que se preveen en el mercado. NEC, Hitachi, Toshiba America y Mitel, todas anunciaron nuevos productos dirigidos hacia la industria hotelera.

Reservaciones y Liquidacion de Factura

En la actualidad hay sistemas automáticos de reservaciones disponibles que cuentan con unidades de voces. La unidad de voz es una adición a la central telefónica (PBX) que le permite a los clientes hacer reservaciones por teléfono sin hablar directamente con una operadora. La aerolínea "People Express" (US) comenzó a utilizar esta tecnología en la primavera de 1985 para su sistema de reservaciones. Las unidades de voces son fabricadas por la ATT y por la compañia Perception Technology Corporation de Boston y utilizan una voz generado por la computadora que responde a números marcados por el cliente en un teléfono de botones. Consultores en telecomunicaciones estiman que estos equipos pueden cortar los costos de personal de reservaciones a la mitad.

Una reciente innovación es la liquidación automática de la factura activada directamente por el huésped. La unidad EECO Self Check, con un costo de US$15,000 le permite al huésped liquidar su cuenta sin intervención por personal del hotel. La tecnología consiste en una pantalla monitora que responde al toque humano, un disco laser, un lector de tarjetas de crédito, una impresora de fólios y un enlace al sistema de administración de la propiedad. Esta misma tecnología también se puede aplicar para que el huésped tenga acceso a informacion detallada sobre los servicios y las facilidades del hotel.

Manteniendose Competitivo

Tal cual indicamos anteriormente, la tecnología hotelera está avanzando en una variedad de áreas. Innovaciones como computadoras personales en las habitaciones y llamadas automáticas para despertar a través de la computadora están en uso en un segmento cada vez mayor de la industria hotelera. Holiday Inn prevee una "habitación del futuro" que contendría una computadora y un área de reunión para seis u ocho personas con sistema de seguridad a través de televisión capaz de ver a un visitante fuera de la habitación. Cada hotelero debe evaluar qué tecnología provee el mejor costo/beneficio para su propiedad y cómo ésto podría afectar la imagen del hotel y su posición en el mercado.

Más importante aún, la administración del hotel debe determinar si *la no* implementación de la última tecnología podría eventualmente afectar el rendimiento de la propiedad. Si los sistemas computarizados se encuentran en la actualidad reduciendo los costos operacionales de los hoteles de la competencia, ¿podria una propiedad sobrevivir sin adoptar similar tecnología? Lo mismo aplica a los beneficios y opciones disponibles que los huéspedes recibirían a través de ésta tecnología avanzada.

Particularmente en el área de seguridad, los huéspedes esperan la última tecnología. Los huéspedes que han sido lesionados durante robos han ganado demandas contra hoteles que han sido negligentes en el control de llaves de las habitaciones. A medida que la tecnología de seguridad avanza y que su costo disminuye es probable que la responsabilidad civil de los hoteles por la falta de seguridad aumente.

La administración hotelera se enfrenta hoy en día a muchos retos y uno de los principales es la creciente disponibilidad y dependencia en la tecnología. Desde una perspectiva, la tecnología ha abierto nuevas oportunidades en el perfeccionamiento de las operaciones y la prestación de mejores servicios. Sin embargo, también ha establecido un nuevo nivel de standards con el cual los hoteles tienen que cumplir. La adaptación de los hoteleros a esta nueva tecnología será criterio adicional para el éxito en una industria que es ya bastante retadora.

Quisiera agradecer la colaboración a todos aquellos que contribuyeron al informe de este año. Nos encontramos gratamente satisfechos con el incremento en las respuestas a nuestros cuestionarios. Gracias especiales se le rinden a los especialistas de la industria que contribuyeron con artículos sobre la situación de la industria hotelera y turística en sus partes respectivas del mundo.

INTERNATIONAL COOPERATION TO EXPAND TOURISM

by Dr. Willibald P. Pahr
Secretary-General of the World Tourism Organization (WTO)
Madrid

On the occasion of the appearance of the 16th annual edition of *Worldwide Hotel Industry*, I take pleasure in presenting a few thoughts about the future of the WTO and its policies, in particular, the enhanced role I see in WTO's activities and programs for affiliate members, of which Horwath & Horwath International is a vice president.

The creation of the WTO as an intergovernmental body in 1975 was greeted worldwide with much anticipation. Tourism, one of the most prominent phenomenon of the 20th century, was at last to have an organization especially entrusted with recommending international standards and channeling the benefits of travel to less favored nations.

There was spectacular growth in both domestic and international travel during the 1970s. Rising standards of living and extraordinary advances in the technology and safety of transportation triggered this movement. Not only did tourism grow, it also gained a firm place in the developed world as a basic consumer item. In receiving countries, tourism created jobs, mobilized investment, earned foreign exchange, enhanced infrastructure and, in short, increased economic stability.

The officials of most countries want to take part in this process. Most of them feel their countries abound in the necessary resources to attract tourism in the short or long term. They want their share of tourism revenue to develop their economies. These are rightful aspirations.

The WTO now has 109 governmental members (Canada joined in June 1986) and 153 affiliate (i.e., nongovernment) members. The active involvement of nongovernment members in the affairs of WTO is considered to be unique in United Nations affiliated international organizations.

In its brief history, WTO has increasingly focused attention on developing its capability to transfer practical knowledge to the field, but more needs to be done.

Member states themselves should become much more involved in the organization's work. They are the backbone of the organization and should formulate the decisions to be made by its various organs. But it is also necessary to ensure that the organization's work becomes more operational and acquires practical significance for the travel industry, and for tourists and travelers.

WTO should intensify its contacts and cooperation with other international organizations and assist the international community in whatever way it can. It has, for instance, been suggested that WTO act as a kind of clearinghouse for information about the tourism activities being planned or taking place worldwide so as to avoid overlap and create closer cooperation in the interest of all concerned. This is now being explored.

Through the unique capacity of its affiliate membership, WTO has a direct link with the operational sector—the travel and hotel industry. Previously, the enormous experience of these members has been largely neglected. If WTO is to become more operational and its work is to have a more practical application, the affiliate members must play an important role by identifying problems and fields to be included in the work program. Dialogue with affiliate members must therefore be intensified and made continuous.

If WTO is to achieve the aims defined in its statutes, it must also improve its image with the public at large. It must develop its information policy and, in particular, pay much more attention to contacts with the press and other media.

Under the statutes, WTO has a special responsibility to assist the developing countries. Here, special attention should be paid to vocational training to create the personnel infrastructure that is a prerequisite for the successful development of tourism in these countries. Vocational training should extend to all levels and, preferably, be organized flexibly so that it can cater to regional or even local needs. Not only public but also private funding will be essential for such a program.

The organization should also pay special attention to the fact that the supply of both hotel accommodations and other components of the tourism product is now generally growing faster than demand. Consequently, competition is becoming more intense. This is likely to create problems not only for the travel industry and tourism operators, especially in traditional receiving countries, but also for tourists themselves. This trend requires monitoring and deserves special attention in WTO's future research.

The change of WTO from a largely scientific and theoretical institution to a more operational agency should be reflected in the next biennial work program. Member governments will be encouraged to play a more active role in formulating the future program, which should also include the proposals of affiliate members.

Tourism can only develop in a safe and peaceful atmosphere. But terrorism has become a major threat. I am happy to note that many governments have taken comprehensive action to increase the safety of tourists. In fact, the European Regional Commission of WTO during its recent meeting in Helsinki, concluded that these efforts have further reduced the remote possibility of anyone being the victim of a terrorist action or other criminal act. Additionally, a number of international organizations, among them the United Nations, IATA, ICAO, IMO and WTO, are taking a variety of actions through their governing bodies to help increase the safety of travel worldwide.

There are good reasons to expect that the present setbacks will soon be overcome and that tourism will expand in the forthcoming years as it has in the past.

In its first 10 years of existence, WTO has played an increasingly important role in addressing the complex task of organizing and promoting tourism for the benefit of all mankind. I am confident that this key role will henceforth be even more important, signifying for many countries a future laden with promise in the field of tourism.

Pacific Asia
OPTIMISM FOR TOURISM GROWTH

by Kenneth L. Chamberlain
Executive Vice President of the Pacific Asia Travel Association (PATA)

Although tourism in the Pacific rim countries slowed in 1985, it is expected to recover somewhat in 1986, especially in Northeast Asia, and long-term optimism persists.

This summarizes the mood at the recently concluded 1986 PATA Annual Conference held in Kuala Lumpur, Malaysia. The atmosphere throughout the conference was unquestionably buoyant, with hardly any pessimism. It is true that the travel industry is now operating in a much more competitive world than during the 1960s and 1970s. The Pacific Asia tourism industry feels, however, that it is well equipped to compete effectively with anyone. It is very hard to argue with this viewpoint.

Table 1 compares PATA area visitor arrival figures during the 1980s with the performance of the world as a whole and that of a major tourism area, the Caribbean.

Two of the key long-haul markets for future travel to the Pacific Asian area are, of course, Europe and North America. In recent years, the number of travelers from these areas to the Pacific area has risen, and several factors indicate that this trend will continue.

In Europe the rate of inflation is expected to stay in the 4 to 5 percent area. The overall economic picture neither suggests recession nor boom. The forecast for the gross national product is for a slight increase compared with 1985, perhaps approaching 3 percent. Although at this stage the full impact of the weaker U.S. dollar and lower oil prices has not been realized, the propensity to travel and, moreover, the propensity for long-haul travel has increased recently.

Intermediate and long-haul travel from Europe would appear to be on an upward trend, albeit a rather gradual one. The opportunity is there for the Pacific Asia area to outperform other destination areas, increasing its share of this market. Recent announcement of new air services from Europe to Asia and the Pacific suggest that there are others putting money on the line because they also see this opportunity.

In the most recent major market study of German travel potential to the Pacific Asia area conducted for PATA, findings stated, "North America is the most important area for long-haul holiday makers without experience of the Pacific Asia area. However, this area is already the second most desired destination for future holidays of this group."

PATA's recent study of overseas holiday travel from the U.K. to the Pacific area concluded, "Ninety-one percent of all travel agents interviewed expected the Pacific area holiday market to increase over the next few years."

Among consumers, the same report states, "The Pacific shows an increase in raw numbers claiming an intention to visit which produces a larger percentage increase (28%) than any other area."

During the last two years the growth in

Table 1

	World		Pacific Area		Caribbean	
	Arrivals (000)	%	Arrivals (000)	%	Arrivals (000)	%
1979	274,008		20,176		7,205	
1980	285,237	+4.1	21,427	+6.2	7,193	−0.2
1981	289,939	+1.6	22,782	+6.3	6,908	−4.0
1982	287,488	−0.8	23,945	+4.9	7,107	+3.0
1983	293,870	+2.2	24,445	+2.3	7,365	+3.6
1984	300,000*	+2.1	26,139	+6.9	7,761	+5.3
Average Annual Growth:		+1.8		+5.3		+1.5

*Estimated

Table 2

	Arrivals from Europe				
	1985	% Area	1984	% Area	1983
Australia	303,000	+10.7	273,538	+2.0	268,100
Hong Kong	502,064	+14.8	437,446	+8.3	403,783
India	310,363	−1.0	311,827	−7.0	335,396
Japan	404,659	+11.3	363,440	+2.5	354,650
Malaysia	147,220	+1.6	144,900	+7.7	134,492
Singapore	465,980	+5.1	443,163	+6.4	416,484
Sri Lanka	153,728	−19.8	191,648	+8.0	177,424
Thailand	455,329	+11.0	410,176	+7.8	380,623

the number of travelers from North America to many of the Pacific Asia countries has exceeded 10 percent per year and often by a substantial amount. This rate of growth is way above the world average. Table 3 shows performance data for the whole Pacific Area and for selected countries during this period.

It has been confidently predicted that the rate of growth in travel from North America to the Pacific area will well exceed that of other prime destinations. This can be attributed to a combination of favorable circumstances including:

- Business contact and, therefore, business travel are multiplying each year.
- Only now are most North Americans recognizing that trade with Pacific nations surpassed trade with countries across the Atlantic. There is a growing fascination for the area, and the public's interest has shifted from visits to more traditional travel destinations to the Pacific and Asia. China, Australia, the South Pacific, Japan and India lead in tourism popularity.
- Although the media continues to stress the weakness of the U.S. dollar, this is not a factor in most of the Pacific Asia area except, of course, in Japan.
- The Pacific Asia area in general has a stable image and people feel comfortable about traveling there.
- Governments, airlines and others from the area are increasing their promotional budgets and making their products more appealing. As oil revenues drop, commodity prices fall and/or export markets for manufactured goods become less bouyant, the Pacific Asia communities are increasingly recognizing the value of tourism.
- The additional trans-Pacific air capacity and the abundance of new hotel rooms in many of the key cities will undoubtedly keep the Pacific Asia area price competitive.
- There is an increase in the population base for the age groups known to travel most.
- Americans appear to be increasingly focused on new experiences, which also helps tourism in Pacific Asia.

This last point was confirmed in PATA's recent study of outbound travel from the United States, which stated, "Among the travel trade, the majority believes that there is more interest now in traveling to the Asia Pacific area than in the recent past, and that most agree that this trend will continue."

The consumers surveyed supported the travel trade's contention that there is more inte.est in traveling to the Pacific Asia area than five years ago and also felt this trend would continue. The Canadian outbound travel market studies PATA has just completed support these findings, indicating that Pacific Asia destinations are moving to the forefront as markets for long-haul Canadian travelers.

It also stated: "The respective market shares of Europe and the Caribbean seemed to have peaked in 1977 for Europe and in 1981 for the Caribbean. Asia and

Table 3

	Arrivals from U.S.A. 1985	1984	1983
Japan	558,029	511,125	461,325
Hong Kong	638,168	563,446	452,458
Thailand	150,765	137,555	125,148
Philippines	198,861	197,337	184,884
Indonesia	50,207	60,050	57,178
Singapore	176,260	176,883	167,437
Malaysia	37,887	36,800	36,635
India	90,669	90,839	89,706
Korea	239,423	212,986	176,488
China, Republic of	182,368	174,083	153,687
Australia	161,320	166,000	140,000
New Zealand	122,960	101,032	86,716
Fiji	49,557	37,285	25,636

Oceania, on the other hand, have been on a steady upward trend throughout the 80s."

In 1984 PATA members felt that the major long-haul markets were about to bear fruit again after some difficult periods during the first few years of this decade. The theme of the PATA Annual Conference that year was, "Restarting the Engines." As the figures in Table 2 and 3 show, they were restarted during 1984 and 1985.

In 1985 we changed our theme to "The New Pacific Traveler," recognizing that growth had taken place and that different market segments now comprise travel to Asia and the Pacific. People from these segments are seeking different types of experiences; they are mainly active travelers, rather than passive sightseers. They want to experience the difference rather than look at it. They wish to explore special interests, frequently of an outdoor or sporting nature. Pacific Asian destinations have been busy modifying their product in order to cater to this new traveler. The outstanding success of the recent Australian and New Zealand marketing campaigns in North America illustrates the effectiveness of targeting the new type of traveler.

This year at the 35th PATA Annual Conference in Kuala Lumpur, Malaysia the theme was "Gearing for Profits." The engines have been restarted, the new travelers are responding. The industry was now confident and sought to plan ahead.

Consequently, we now find considerable growth in supply. New air services are being introduced. This is particularly true on the trans-Pacific routes. Cathay Pacific and Malaysian Airline Systems recently introduced services into the United States for the first time. They soon will be followed by All Nippon Airways and perhaps Garuda Indonesian Airways. In the other direction, Delta Airlines and American Airlines are doing more than just talking about Tokyo. A number of the established carriers are also introducing new flights, including Canadian Pacific Airlines, Northwest Orient Airlines, Japan Airlines and United Airlines.

Hotel development has been extensive and is continuing. In PATA's Annual Statistical Report we showed 13,192 hotel rooms under construction in Singapore alone. Other cities that have either experienced a high level of growth in recent years or have many new hotels opening in the immediate future include Bangkok, Kuala Lumpur, Bali, Hong Kong, Osaka, Colombo, Delhi and Auckland.

In Australia 21 international hotels, with a total of 6,700 rooms, currently are under construction. At the end of 1985, major tourism projects worth approximately $1.6 billion were under construction in Australia. Projects worth an additional $2 billion were firmly committed.

Government tourist offices show the same high level of activity. Large-scale promotional campaigns have been undertaken this year by Australia and Malaysia. Many other PATA member countries including the People's Republic of China, Thailand and the State of Hawaii have enjoyed increased promotional budgets. Singapore is in a turnaround situation and currently is aggressive in both promotion and product development. Following the change in government, the Philippines has renewed its commitment to tourism. This approach is shared by most of the government tourist offices in the region.

At times, I am concerned that more is being expected of tourism and the travel industry generally than it can possibly deliver. Many feel the room supply in the Pacific Asia area currently outstrips demand. Even those that feel this way, however, anticipate that this will create a troubled period for only a limited period. Favorable pricing, combined with the other advantages the Pacific Asia area possesses, will probably bring demand into balance with supply before too long.

There are imponderable aspects to this situation, such as terrorism, civil disturbance and exchange rate fluctuations. Because they are hard to predict, caution must be exercised. Nevertheless, in mid-1986 the overall mood of the Pacific Asia travel industry is one of confidence, optimism and readiness.

Australia
THE GROWING IMPORTANCE OF TOURISM

by the Hon. John Brown
Federal Minister for Sport, Recreation and Tourism

For a long time the tourism potential of our region was overlooked by international and local tourists as well as successive governments. All this changed with the election of the Hawke Labor Government in March 1983. It is now well and truly accepted that Australia offers a most attractive alternative to the traditional tourist destinations of Europe and America. It is encouraging to see, for example, that our region continues to record a growth rate well above the world average with holiday and leisure travel accounting for more than half of all arrivals into the region.

In Australia tourism has entered a period of substantial growth and that will continue. Our industry is destined to play an increasingly important role in the nation's economic and social development in the years ahead. Over the last few years domestic tourism has shown an annual growth rate of about 3 percent and in 1984 international visitor arrivals exceeded one million for the first time. The government is aiming to attract two million overseas visitors by 1988, and we expect continued improvement to the turn of the century.

Tourism now accounts for approximately 7 percent of Australia's total employment and gross domestic product and has become one of the country's most important industries. The lodging and hospitality sector is, of course, a major beneficiary, accounting for around 20 percent of total tourism expenditures.

The Australian government has certainly recognized the industry's potential and has been attempting to ensure that it is fully realized. Although our role in tourism is primarily one of creating a stable and healthy economic climate in which the industry can prosper, we have also instituted a number of measures designed specifically to assist the development of the industry.

The government's marketing arm, the Australian Tourist Commission (ATC) has, for example, received a 160 percent increase in funding during the past three years. This has enabled production of an internationally acclaimed and very successful Australian advertising campaign and, overall, a much higher worldwide marketing profile for the ATC. On the domestic front, the introduction of the National Tourism Campaign by the ATC, in cooperation with the state territory governments and industry, has stimulated domestic tourism and raised awareness of the importance of the tourism industry to Australia.

The importance of the ATC's work in this area has prompted the government to instigate an inquiry into its tourism promotion responsibilities to ensure the ATC will continue its successful work in the important decades ahead. Other government initiatives include the August 1984 increase in the depreciation allowance from 2.5 percent to 4 percent on new nonresidential income producing buildings and short-term traveler accommodations.

While occupancy rates generally indicate significant capacity to cater to an even higher level of future demand, this capacity has largely been achieved by a substantial increase in the range and number of facilities available to travelers in Australia. Since 1984, the number of international standard accommodation facilities has increased almost 30 percent and, when projects currently under construction are finalized, will represent an increase of some 75 percent.

The buoyant nature of tourism in Australia and the confidence with which the industry views its future is also well reflected by the number of major tourism-oriented projects currently under construction or firmly committed to commence construction within the next 18 months. At the end of December 1985 there were around $5.5 billion worth of projects under construction or firmly committed. Overall the level of proposed tourism projects was running at $6.3 billion and, while some of these projects may not eventuate, it certainly indicates the very high levels of investor interest in the industry.

This high level of construction activity has, of course, created a dramatic increase in demand for trained staff. In this context the government has committed to ensuring that further training facilities are available to service the needs of the industry. We are providing assistance in industry training through a variety of mechanisms, including the Australian Traineeship System and the National Tourism Industry Training Committee. The industry too has become more conscious of the need to improve the quality of staff training and is devoting significant resources to this task. I believe the demand for quality staff in Australia can only increase.

It is also worthwhile to note the significant contribution overseas investors are making to Australia's tourism development. The positioning of international companies within our lodging/hospitality industry has assisted the industry's development by providing a valuable injection of hospitality skills and expertise. The government certainly recognizes and appreciates this contribution.

Overseas investment in Australia is subject to Foreign Investment Review Board examination, and all proposals are considered on their merits. While as a general rule foreign investment in tourism developments must provide for at least 50 percent Australian equity participation and offer significant benefits to the Australian economy, these equity guidelines are not inflexible. In cases where it can be demonstrated to the satisfaction of the government that no Australian interests are willing or able to participate on reasonable terms and conditions, the government would certainly not wish to put an end to proposals that are otherwise in the national interest.

One further advantage of foreign investment, of course, is that overseas companies have had a great deal more experience with the specific needs of their nationals. At present in Australia there are a number of international standard hotel/resort complexes, financed offshore, which are being developed with the specific requirements of international travelers in mind. I believe it is important to Australian tourism that we are able to cater to the many different cultural and social needs of the vast international tourism market, and overseas investment is helping us in this regard.

Another telling contribution to development of our tourism industry has been the massive international and national media exposure generated by recent events such as the World Cup Athletics and the Australian Grand Prix. Future events that will complement this exposure include our Bicentennial Celebrations, Expo '88, the defense of the Americas Cup and, hopefully, the 1992 Olympic Games in Brisbane.

Tourism in Australia will, in the years ahead, continue to offer substantial scope for development. With the continued assistance of the industry in providing sufficient, suitable facilities and appropriate standards of service, the future of Australia as a premier tourist destination is assured.

These facilities must be well planned and environmentally sensitive. Those that do not fit into the surrounding environment can only decrease the attractiveness of an area from a tourism viewpoint. Further, continuing efforts must be made to capitalize on the uniqueness of Australia. Visitors are not going to be attracted to our shores, to stay in Australia or make return visits if we merely duplicate what is available elsewhere in the world.

Australia is a big, safe and friendly country. Our geographical location and political stability at a time of increasing international tension—coupled with the variety and uniqueness of our flora, fauna and landscape—make it an attractive place to visit. The lodging/hospitality industry, being a major beneficiary of tourist expenditure, is well placed to reap the considerable benefits available from a dynamic and expanding tourism industry.

The rewards are there. Tourism offers economic and social benefits to governments and industry alike. The challenge for the lodging/hospitality industry in Australia is to maintain its record and develop sufficient, unique, well-planned and well-run establishments to ensure the potential that tourism offers and is not wasted. The Australian government, through its various initiatives, stands ready to assist our great industry to reach new heights in the years ahead.

Canada
A PLAN OF ACTION FOR TOURISM

by Tourism Canada

Tourism Canada, a department of the Canadian Federal government, has adopted a new direction in its marketing programs. Many challenges exist, particularly in Canada's most important tourism markets. Our goal is to respond better to changes in the marketplace and the increasingly competitive international tourism marketing environment.

In the U.S. market, for example, the number of overnight visits by automobile bottomed out in 1982 and, since then, has shown a gradual increase to more than 8 million visits. Mass-mode travel from the United States followed an upward trend until 1984 and has since leveled off at approximately 5 million visits. Overseas visits to Canada have remained relatively stable at a total of two million visits. Canadian travel to the U.S. has stabilized in the past two years; however, since 1982, Canadian travel overseas has increased substantially.

Forecasts show that in 1986 one can expect an overall increase of 5 percent in overseas travel to Canada compared with 1985. Travel to Canada from Japan will rise a healthy 16 percent, but from two of our key market areas--the U.S. and Europe--no significant change in travel is predicted compared with 1985. On the other hand, travel to the United States by Canadians is expected to increase 3 percent in 1986, and Canadian travel overseas will rise 11 percent.

With these anticipated 1986 travel results in mind, we at Tourism Canada are modifying our approach to tourism marketing to be more strategy oriented than in the past.

Our plan includes a number of programs and mechanisms to be implemented during the 1986-1987 period. One of these, a management system for the federal tourism marketing program, places increased emphasis on results and performance measurement. At the Federal level this means, among other things, that work plan accords will be established between Tourism Canada and the Department of Regional Industrial Expansion (DRIE) regional offices, as well as External Affairs posts. Through these accords, selected management responsibilities will be delegated; objectives will be set out; and tangible, specific performance indicators and results will be identified, agreed upon, monitored and evaluated regularly.

There will also be a targeted and integrated marketing communications plan for tourism in all involved Federal agencies, coordinated by Tourism Canada. Additional joint programs will be undertaken between Tourism Canada and Canadian and foreign travel industry companies. Also, both private and public sector partners will have input into the Federal tourism marketing planning process. A recent task force on tourism recommended we consider undertaking pilot projects with the private sector in some of our marketing activities in foreign markets. Currently, we are negotiating these types of arrangements with some airlines.

Our principal marketing objectives will be to achieve maximum tourism revenues through increased person visits to Canada, increased visitor spending and extended lengths of stay.

While we are placing increased emphasis on our foreign marketing activities, some decisions will be made about how much marketing should be targeted at domestic tourism, since there is some difference of opinion about where we should concentrate our efforts.

We have identified four marketing areas that need to be addressed: research, coordinating, image building and brand names in available tourism products. We cannot become more effective in tourism marketing without better planning and programming, which must be based on solid research and market intelligence. Therefore, one of our first priorities is to continue strengthening our research base on tourism markets in order to have the data that will enable us to anticipate and respond to the dynamics of the tourism marketing environment.

We have already conducted one major study in recent months--on the U.S. pleasure travel market. It is the largest and most comprehensive tourism marketing study ever undertaken by a Canadian government. Overall findings available to date provide a great deal of useful insight into the needs and desires of the potential American visitor to Canada. Additional studies are in the offing to strengthen our knowledge base, beginning with several on our key overseas markets.

We are also increasing our efforts toward coordinated and integrated marketing programs with our provincial and territorial partners, as well as with the private sector and other Federal departments--in all our tourism markets. We hope these efforts will substantially

improve our collective tourism marketing efforts, both at home and abroad.

One step in this direction will be the creation of the Advertising Council of Tourism Partners. Announced at the Federal, provincial and territorial tourism ministers' conference in November 1985, the Council will act on behalf of both (Federal and provincial) levels of government and the private sector. Its objectives will be to help establish a more integrated and coordinated approach to marketing Canada internationally.

Canadians view themselves differently than other people do. Many people who participated in our planning process initially thought Canada has a "moose, mountains and Mounties" image—and that we are viewed as expensive and boring. Yet, the survey of U.S. residents shows the contrary. Americans do not view Canada as a dull place to visit, nor as an expensive one. Our other studies show, however, that there is nothing wrong with promoting our Mounties, mountains and moose, at least to selected target markets.

There will be no change to our marketing budget for 1986–1987. Within that budgetary framework, however, we are moving in new directions. We are changing the thrust of our marketing efforts from pure activities management to achieving measurable results. And we are striking partnership agreements on a national level in order to market Canada's tourism products more aggressively and effectively in priority market areas.

We have already entered into a joint marketing agreement with Wardair and are exploring further joint marketing plans with them for Germany and the United Kingdom. We have also developed a similar agreement with the Canadian Ski Council to promote winter tourism.

Throughout 1986 and beyond, we plan to sign more of these joint agreements. Through strategic planning, we have been able to redefine our priorities and improve the targeting of our marketing activities, our messages and our priority market areas. We will also try to establish medium-term and long-range marketing objectives with the provinces and territories, as well as with the private sector.

Our marketing objectives are as follows:

- To increase our efforts toward coordinated and integrated marketing programing with all of our tourism partners in all markets.
- To identify and relate market trends to Canadian tourism products and services and make recommendations on how they could best respond to these trends.
- To strengthen the service orientation and program delivery by DRIE regional offices and External Affairs posts.
- To improve the export marketing capability of the Canadian tourism industry.

The United States
1986 HOTEL PERFORMANCE

by Randall C. Zisler, Vice President and Director of Real Estate Research, Robert A. Feldman, Associate, and Rosella T. Sabatini, Analyst Goldman Sachs & Co.

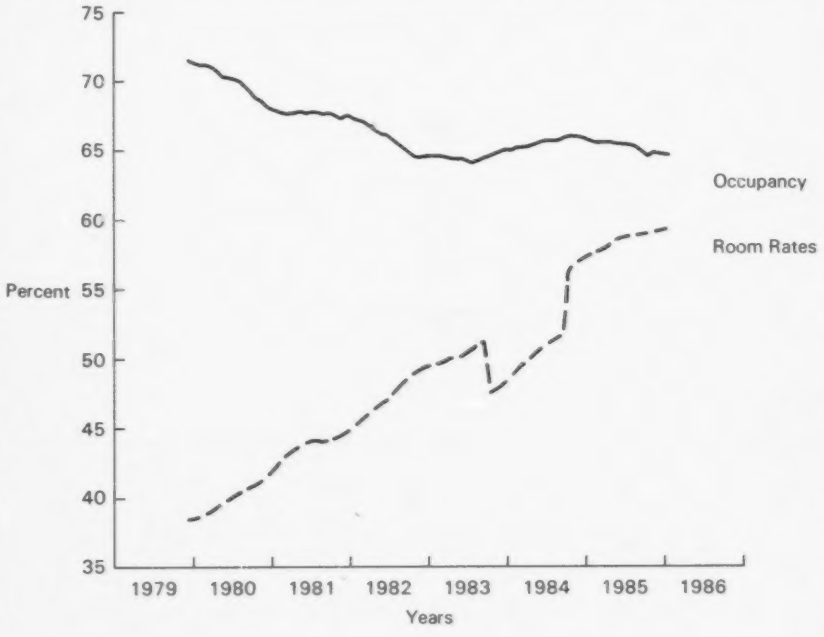
Two developments are weakening the outlook for the U.S. lodging industry. The first is the well-known problem of overbuilding; the second is the latest tax reform legislation. Together, these developments are presenting difficult challenges for those involved in the hotel industry.

Occupancy rates have been declining during the past seven years, while average room rates have increased. (See Figure 1.) This paradox has most likely resulted from the boom in luxury hotel construction. Today's typical hotel is newer and more luxurious and, therefore, more expensive.

The hotel room inventory increased approximately 6 percent in 1985 and will increase an additional 7 percent in 1986. Overbuilding in all segments continues because vertically integrated hotel corporations have been unwilling to idle their development arms and because developers have been able to obtain funding for "unique" products, such as all-suite and economy facilities. This philosophy has become so universally adopted, however, that these unique products have turned into significant segments of the lodging industry.

We believe that developers have overvalued segmentation in the market. Although some travelers will no longer stay at medium-priced and luxury hotels because they find all-suite hotels more suited to their needs, other market segments can remain competitive through aggressive pricing.

Figure 1
National Occupancy Rates and Room Sales per Occupied Room



Tax Reform

Impending tax changes have caused a decline in all nonresidential construction, including hotels (Figure 2). This indicates that, in the long run, tax changes could lead to an improvement in the hotel industry's measures of performance or *fundamentals* by preventing further overbuilding.

Tax reform will affect the industry in two ways. From an investment perspective, new properties will be less attractive due to tougher syndication rules, longer depreciation schedules and higher minimum tax rates. Proposed projects will have to show a higher potential for profitability to obtain financial backing.

In the past, developers have placed a higher priority on investment objectives than on the potential profitability of the hotel. New and existing properties that were built according to this philosophy will have a reduced market value in the near future. A likely result will be changes in ownership. A new owner who acquires a property as a bargain may have a better mix of financial factors than the original owner and may be able to turn around the hotel's financial picture.

Tax reform will also hurt lodging demand. If the currently proposed plan to reduce business entertainment deductions to 80 percent actually becomes law, hotels will see a reduction in business guests. In addition, deductions will have even less economic value to businesses since allowable travel expenses will be deductible from income taxed at lower tax rates. The Senate Finance Committee reduced the maximum individual marginal tax rate from 50 percent to 27 percent and the maximum marginal corporate rate from 46 percent to 33 percent. Another source of business, travel for business education, will no longer be deductible.

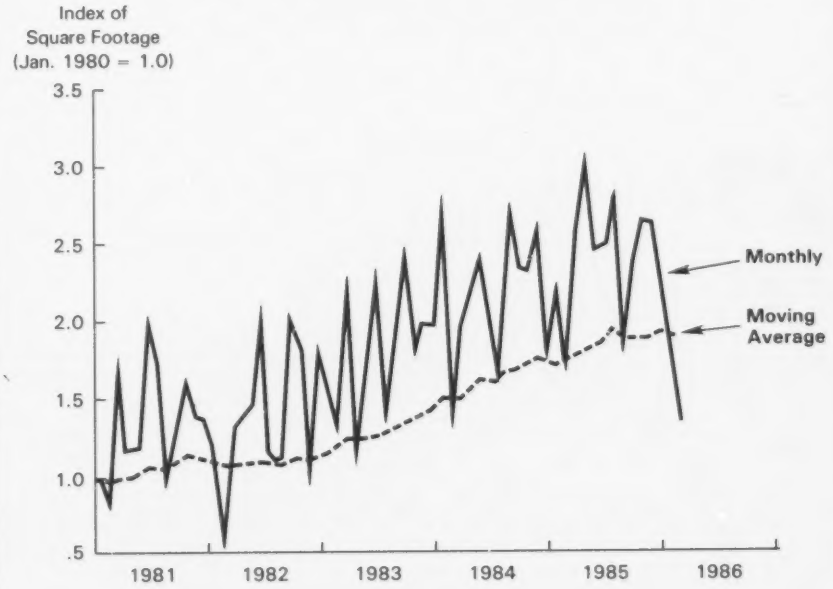
Small Ray of Hope

Although occupancy rates continued to fall in early 1986, lodging demand improved by summer due to the decline in the value of the U.S. dollar against foreign currencies, recent terrorism incidents in Europe and the nuclear accident in the Soviet Union. Recent currency fluctuations should also encourage overseas visitors to visit the U.S.

Tourism markets such as California, Las Vegas, New York, Hawaii and Alaska are expected to benefit most from these developments. Overall, however, the solid increases expected in demand are unlikely to force occupancy rates up dramatically due to the still-growing inventory of hotel rooms.

In the near future, hotel management will need to concentrate on streamlining operations, making their rates competitive and effectively marketing their products. The situation will be particularly acute for the independent operator. Management is becoming increasingly aware of the fact that the useful life of a lodging property is shrinking either because the public seeks out newer hotels or ones in more desirable locations or because specialized segments such as all-suite or economy properties are pushing them out of the market. Understanding the market and anticipating problems can lead the owners and operators either to find successful alternative uses for a failing property or to modify the existing product offering.

Figure 2
Hotel Construction Starts Have Peaked



Source: Dodge/DRI Construction and Real Estate Information Service

Europe
TRENDS AND OUTLOOK

by Raymond K. Fenelon
Secretary General
International Hotel Association (IHA)

It is necessary to read the data that follow in order to obtain a fair picture of what has happened in the hotel business during 1985. Global results grouping all European countries together have clearly been satisfactory. The International Hotel Association's six monthly reports on trends, based upon questionnaires sent to national hotel associations, showed that improved occupancy rates were generally expected and achieved during 1985. The industry in a small number of European countries, however, was moving against this positive trend.

It seems that 1985 was a year when the experience of different sectors of the industry was beginning to diverge, and I suspect that 1986 will confirm this tendency. Business travel generally is increasing moderately but steadily. The intraEuropean hotel travel market, however, experienced considerable volatility in 1985, resulting partly from currency movements, partly from pricing policies and partly from changes in fashion influenced by the decisions and marketing programs of major tour operators.

There were signs of a trend toward shorter average stays counteracted by a continuing development of the second holiday. This implies some degree of increased popularity for winter resorts to the marginal detriment of summer destinations. Available statistics show that some Mediterranean holiday destinations have succeeded in reducing extreme seasonal fluctuations in traffic. The IHA's seasonality programs, in which hoteliers, airlines, tour operators and national tourism organizations worked together to develop and market off-season business, have achieved results. It is hoped that selective marketing directed, for example, at senior citizens or incentive groups can also promote off-season travel. Many countries in Europe also are beginning to emphasize in their marketing the attractions of secondary destinations in the hope of easing the pressure of numbers in the most popular destinations during the peak months.

Some destinations in Europe have become heavily dependent upon the U.S. holiday visitor. Others are dependent upon organized groups from particular countries in northern Europe. Such dependence has been shown in 1985 to carry the risk of serious fluctuations in the number of visitors, especially where multiple factors work in the same direction: the economic situation, sentiment based upon political considerations or perceived insecurity, the marketing decisions of intermediaries, exchange rates or price movements.

Within many European countries, a closer look at available statistics shows that different categories of hotel accommodations have fared differently. While there has been some down-trading affecting the middle range of hotels, the luxury market continued to do well. Hotel chains are becoming more aware of this tendency toward polarization and are seeking to position themselves to take advantage of it. Within the same chains, new products are being developed in each sector of the market. On the basis of market research and analysis, investment decisions are becoming more sophisticated, and well-defined products are being targeted toward specific segments of the market.

Such trends, of course, present special problems for the independent hotelier. For this reason, the IHA has started a series of seminars dealing with the appropriate marketing approach for independents in the industry.

Horwath & Horwath International is an active affiliate member of the IHA. The information and expertise which it makes available in its committee work and at its congresses, are much appreciated. Sound business decisions in the industry depend upon good and timely information, coupled with sound economic analysis.

Latin America and the Caribbean
CAUSE FOR OPTIMISM

by Bernard J. Hamilton, President and General Manager
Latin America and Caribbean Division
American Express Travel Related Services Company, Inc.

To assess the future of the tourism and travel industry in Latin America and the Caribbean with any degree of accuracy, we must begin by looking at the region in a global context. This includes the relative impact of the booming American stock market, reduced inflation, the lower value of the U.S. dollar, dramatic decreases in oil prices, lower interest rates and worldwide political events. All of these characterize today's global political-economic situation and, subsequently, impact travel to Latin America and the Caribbean.

It must be remembered that the region is like a quilt consisting of over 40 countries and territories. For this reason, generalizing in order to communicate a succinct overview of the conditions influencing travel and tourism to the area is dangerous. It tends to minimize the vast differences among the people, cultures, environments, attractions and levels of economic and tourist development within Latin America and the Caribbean.

Within the region itself, consideration must be given to the local political environments, tourism industry initiatives to enhance competitive positioning and the importance local governments place on tourism, both as an export industry and a key to employment.

Finally, no assessment would be complete without some overview of the corresponding problems the industry must face in the future. These center around an increasing need for a more cohesive infrastructure; an improved, more consistent quality of product within the region's tourism industry and a need to achieve a larger market share in key origin markets in North America and Europe.

Looking back just four short years ago, business on an international basis faced a bleak future. As the effects of the worldwide recession began to ebb and the U.S. dollar strengthened, there was a tremendous growth in leisure travel from North America, especially to Europe. Highly competitive air fares, together with travelers' collective buying power, have sustained a leadership position for European destinations during the past few years.

This situation continued throughout much of 1985 as the U.S. dollar remained stubbornly high. Then, through the concerted intervention of the five largest western industrial nations, an effective effort was made to impact exchange rates between currencies, resulting in a 25 percent decline in the value of the dollar.

This move to advance toward a new international monetary order, together with the recent decline in oil prices and interest rates, has set the stage for an important shift, which ultimately favors the growth of travel and tourism to the Latin America and Caribbean region.

The powerful industrial nations were not alone in their attempt to restore economic order. In South America, important moves toward stabilization have recently been introduced in the form of new economic plans, namely the Austral in Argentina and the Cruzado in Brazil, which have dramatically reduced inflation and stabilized exchange rates. This directly impacts travel to and within these countries, since visitors are better able to predict actual travel costs at the destinations. Substantial decreases in the spread between the official exchange rate and the parallel market rate have also resulted. Now, travel-related businesses can more confidently spend money promoting tourism to the region with more competitive pricing, and the cost-value equation for the tourist is substantially more favorable than a few years ago.

Although the decrease in oil prices has had a negative impact on the GNP of Mexico, Venezuela and other oil-exporting nations in the region, it has also caused these governments and business communities to increase their focus on tourism as a vital export industry and an important key to employment. In the Caribbean, efforts like the Caribbean Basin initiative have also begun to focus on the tourism industry.

While the foreign debt crisis is clearly not over, its lingering effect on the region has forced international financial institutions, local investors and entrepreneurs to seek ways to convert debts to equity in real estate and business opportunities. Over the past four years, investors have learned that individual businesses can survive and even prosper by using intensive management techniques. Now, lower interest rates will probably make it easier and more attractive to invest in the capital infrastructure—be it real estate, equipment, hotels or travel facilities.

The competitive situation in the U.S. airline industry also augers well for Latin America and Caribbean tourism. International routes to the Caribbean are relatively more attractive, particularly for full-service airlines like American, Eastern and Pan Am, which have been able to expand flights to the Caribbean and to some Latin American countries substantially with the introduction of wide-bodied aircraft. In addition, Pan Am's divestiture of its routes to the Asia/Pacific corridor has allowed it to concentrate more management attention and resources on Latin America and the Caribbean. As local governments recognize the potential importance of tourism, they have become less protective of their national carriers

and more receptive to charters and increased flight frequency, with the objective of bringing more tourists with foreign exchange.

We also believe the North American tourist is ready for new, exciting vacation alternatives. Relatively good prosperity and the fact that so many of these travelers have already visited Europe repeatedly have created an ideal climate for travel to Latin America and Caribbean destinations.

Furthermore, the increase in democratic regimes—currently throughout almost the entire region—has been responsible for evoking more favorable media coverage of the countries than in the past. In fact, the "Today" show (a popular morning network news program in the U.S.) recently featured special segments on Argentina and Brazil, providing excellent exposure for both countries to one of the largest audiences in the U.S. This program also covered the currency crisis. However, whether favorable or unfavorable, this media exposure has focused more pervasive public attention on South America and Mexico than ever before.

In many Caribbean destinations, a considerable amount of money is being spent to refurbish existing hotels. Funds are less scarce than in the past, which means new hotels can be constructed. Airlines have increased flight frequencies. The quality of marketing is improving, and the public now sees new ads on television promoting Jamaica, Puerto Rico or Mexico. So, although the region has not yet begun to match the levels of marketing expenditures and effectiveness achieved by Europe, some improvements have been made. We still have a very long way to go, but positive steps are being taken.

Nevertheless, some significant problems still remain. The fact that local governments say that tourism should be a priority does not necessarily make it one. Therefore, the responsibility for establishing that priority rests with the tourism industry itself which, unfortunately, tends to be extremely fragmented. One of our foremost concerns is education and training to ensure a relatively good-quality, hassle-free vacation experience. By working more closely together, tourism officials, airlines, hotels, cruise lines, restaurants, attractions, ground operators and even taxi drivers can enhance the total experience for travelers.

As travel to the region grows, the need for competent people with the right attitudes to improve and enlarge the travel services base will also increase. At American Express we have addressed that need through unique programs like "Juntos Podemos." This industry-related training program for senior and mid-level management and customer contact personnel is designed to increase local awareness of the value and benefit of tourism.

A second major concern regards promotional efforts for the region. Our research shows that 31 percent of experienced international travelers from the U.S. indicate they would be very interested in traveling to South America. If this target audience is to be reached and a significant increase in market share is to be achieved, once again, more cooperative efforts must be initiated between all sectors of the industry. Through programs like "Travel Express," American Express has shown the synergistic results that can be achieved when industry leaders and government agencies pool advertising resources to implement customized campaigns, which simultaneously promote the destination and the advertising sponsors. This approach also ensures more targeted, effective market penetration as well as a cost-effective means of achieving a larger share in the North American marketplace. Currently we estimate that American magazine advertising expenditures by Mexico and South America have each achieved less than 1 percent market share. Additionally, these expenditures are highly fragmented, representing dozens of individual promoters.

Also, many Caribbean countries are doing individual promotions that compete with each other for the public's attention. Outside of cruise industry efforts, there is virtually no focus on cooperative promotions that combine two or three destinations, similar to the multiple country promotions Europe uses so effectively.

In conclusion, our work is cut out for us. For the first time in several years, however, the future is bright for increased travel and tourism to Latin America and the Caribbean. Because our own businesses in the region have been profitable and growing for the past few years, American Express intends to increase activity in promoting the many exciting tourism destinations each country offers. Our spirit is one of cautiously increasing optimism. It is our hope that the importance of tourism to economic recovery and employment throughout Latin America and the Caribbean Basin will help focus greater emphasis on the need for ongoing education and training, as well as more cooperation in promotions and the delivery of a quality experience within the tourism industry.

THE WORLDWIDE HOTEL INDUSTRY

by Mark V. Lomanno and William R. Evans
Research and Development Division
Laventhol & Horwath

Introduction

In December 1985, Horwath & Horwath International distributed nearly 3,500 questionnaires to hotels around the world. Over 1,050 questionnaires were completed and returned to the Research Division of Laventhol & Horwath, the HHI member firm within the United States. After careful review for reasonableness and accuracy, more than 1,000 questionnaires representing 239,500 hotel rooms worldwide were processed and used in this report. This sample size is 30 percent higher than any previous issue produced. We would like to thank all the HHI member firms and concerned hotel operators, whose efforts have made this study possible.

This 16th edition of *Worldwide Hotel Industry* conforms closely with the format first used in the 1982 edition. For the first time this year, exhibits containing information on technology and guest services are presented in an effort to define and characterize the hotels surveyed more fully. All data are broken down into five regions, each covering a different area of the free world. Table 1 illustrates the various sections of this report and the respective geographic areas they cover.

Information is presented on a total of 12 subregions as well as on the five major regions. Every effort is made to provide information on as many separate subregions as possible. If data permits, we will expand the subregional breakdowns in future years to provide comprehensive information that more closely reflects the operating characteristics of hotels their respective areas.

Throughout this publication, medians are used to report most amounts and ratios, although means are used in certain selected schedules. The terminology and account titles are based on the seventh revised edition of the *Uniform System of Accounts for Hotels*. An explanation of the terms and bases used is given in Appendix I on page 94.

This is the first edition in which all amounts are presented in U.S. dollars, converted using a 12-month simple average, rather than using a year-end exchange rate. This should help keep the effects of currency fluctuations at a minimum and present a more accurate picture of the entire year. The reader is cautioned that the 1984 results presented in this study were calculated using year-end rates and this should be taken into consideration when making year-to-year comparisons. A list of the countries with hotels contributing to this study, along with the currency conversion factors used, is presented in an appendix at the end of each of the five regional sections of this report. These appendices also identify the subregional country affiliations within each region. Currency conversion factors are provided for both 1985 and 1984 in order to facilitate comparisons between the two years.

The reader is cautioned that currency fluctuations often have significant effects on the U.S. dollar values presented in this report. To help the reader better comprehend the impact of currency changes, Appendix II on page 96 analyzes currency fluctuation values.

To eliminate differences in the size of hotels surveyed, dollar amounts are shown per available room. Wherever appropriate, ratios to total sales and room sales are used. Since medians are often used to report dollar amounts, individual line items do not necessarily add to the

Table 1

Section	Region and Subregions
I	Africa and the Middle East (Region I)
	Northern Africa
	Southern Africa
	Middle East
II	Asia and Australasia (Region II)
	Asia
	Far East/Pacific Basin
	Australia
III	North America (Region III)
	Canada
	United States
	Caribbean
IV	Europe (Region IV)
	Continental Europe
	Scandinavia
	United Kingdom
V	Latin America (Region V)

totals shown. Each line item is analyzed separately, and the medians are based on the information submitted for that line item only, since not all hotels reported information for each line.

Because the information contained in this report reflects the responses of approximately 1,000 hotels, the amounts and ratios should not be considered as standard for any type of property, region, subregion or country, but only as guidelines for comparison with the operating results of a specific property. They are not an attempt by either Horwath & Horwath International or the Research Division of Laventhol & Horwath to set or conform prices or operating standards for the hotel industry.

Profile of contributors

Presented in Exhibit 1 are the highlights of the analysis of operating results. Worldwide, the industry showed some overall gains during 1985. Occupancy rates increased slightly to 67.1 percent during 1985, from 67 percent in 1984. The average rate per occupied room rose 1.7 percent to $45.17, and income before income taxes rose 1.4 percent on a per-room basis.

The age, size and other characteristics of the typical contributor surveyed, as determined by various measures of central tendency such as mean, median and mode are displayed in Exhibit 2. The total group of contributors represents a broad cross section of the hotel industry in terms of these characteristics, but the typical contributor comes from the hotel industry segments shown in this exhibit.

The source and distribution of the 1985 worldwide hotel industry dollar is shown in Chart 1, with 1984 data for comparison purposes. To accurately reflect the impact from various size properties, the dollar is based on weighted means. As illustrated, the portion of revenues generated by each individual source remains relatively unchanged from 1984, with room sales comprising the largest share of revenue.

On the expenditure side, employee payroll and related expenses required the largest share of hotel revenue. Bottom-line performance was slightly affected, with net income before income taxes increasing from 8.3 percent in 1984 to 9.8 percent in 1985.

Exhibit 1
Highlights*
All Hotels

- Total revenue decrease 0.1 percent on a per room basis.
- Room occupancy rates rose to 67.1 percent compared with 67.0 percent in 1984.
- The average daily rate per occupied room was $45.17 compared with $44.41 in 1984 an increase of 1.7 percent.
- Income before income taxes increased 1.4 percent on a per room basis.

*Based on medians.

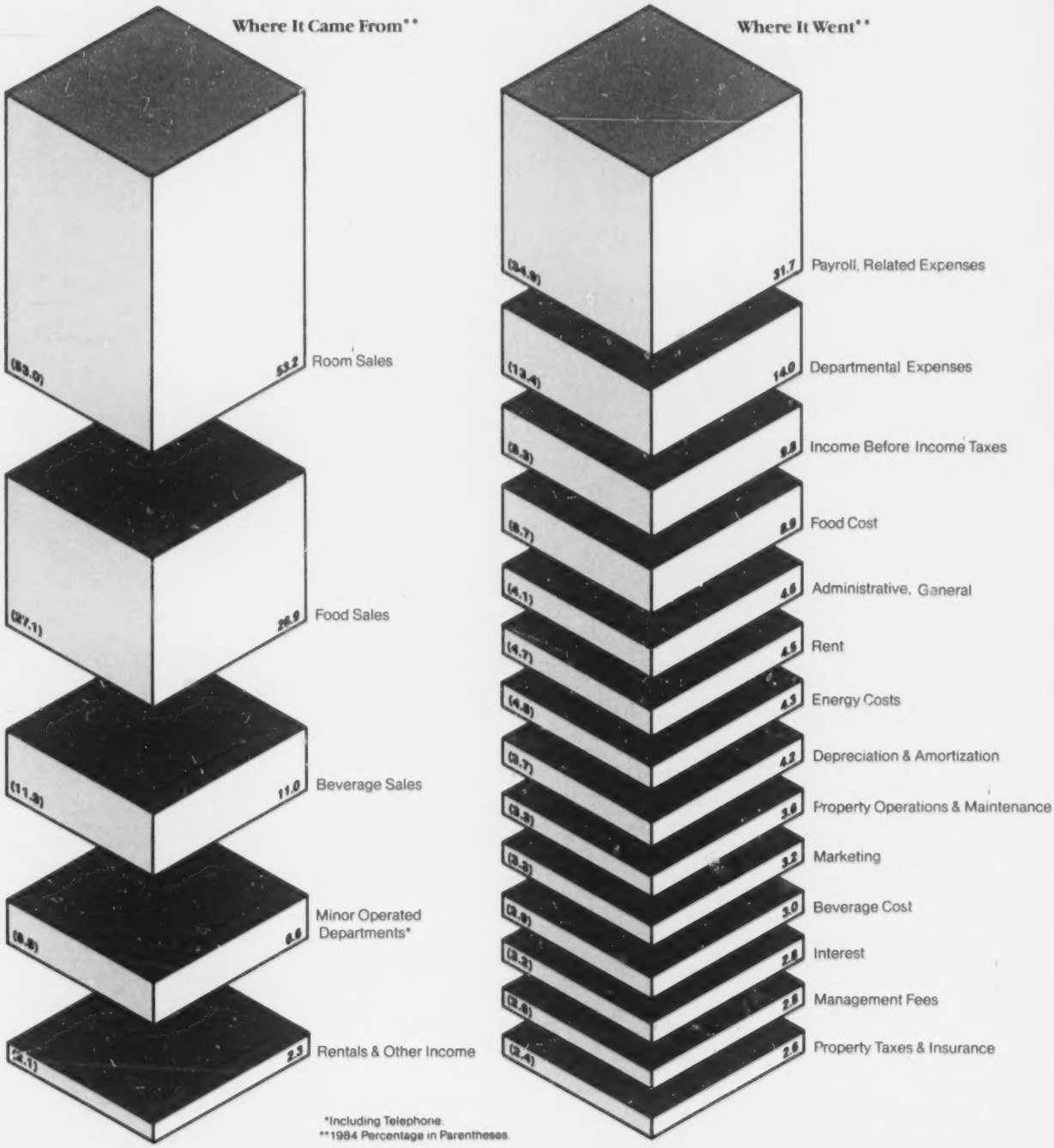
Exhibit 2
Highlights*
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
All Hotels

Criteria	Category of Typical Contributor
Age	Built between 1970 and 1980
Size	150–299 rooms
Occupancy	60%–69%
Average Rate	$40–$55
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales is between 50% and 85% of room sales
Other	
Location	Urban
Market	Other than tourist
Management	Chain affiliated; reported net income before income tax in 1985

*Based on medians.

Chart 1

International Hotels
Percentage Distribution of Revenue and Expenses



*Including Telephone.
**1984 Percentage in Parentheses.

Market data

Guests from domestic sources provided a slight majority of overnight hotel guests for the third consecutive year, although the difference between domestic and foreign sources is almost nil. Exhibit 3 presents market information for a span of five years, 1981-1985. The only major difference appears in the percentage of guests that are tourists. Only 24.4 percent of hotel guests were tourists in 1981, while in 1985 34.4 percent of all guests were individual tourists or part of a tour group. This reflects the improved economic conditions throughout much of the world, since in 1981 many countries were in the depths of the worst recession since the 1930s.

Exhibit 3
Market Data*
Five-Year Trend—All Hotels

	1985	1984	1983	1982	1981
Source of Business					
Domestic	50.2	51.2	51.3	42.2	47.1
Foreign	49.8	48.8	48.7	57.8	52.9
Percentage of Repeat Business	40.0	38.4	40.3	39.1	37.8
Composition of Market					
Government Officials	7.1	5.3	6.2	5.5	6.8
Businessmen	38.3	42.7	42.1	41.5	44.6
**Tourists	34.4	26.4	27.0	30.0	24.2
Conference Participants	10.5	13.4	13.2	13.7	13.5
Other	9.7	12.2	11.2	9.2	10.9
Percentage of Advance Reservations	82.7	83.4	84.1	81.4	83.4
Composition of Advance Reservations					
Direct	36.0	38.4	39.6	36.0	35.5
Reservation Systems	24.8	30.0	28.9	31.6	26.5
Travel Agents & Tour Operators	27.7	27.0	27.2	27.8	26.8
Other	11.6	4.6	4.3	6.4	11.2
Ratio of Travel Agent Commissions to Room Sales		1.2	1.3	1.2	1.0

*Arithmetic mean.
**Individual tourists and tour groups.

Market information is presented for the five regions in Exhibit 4. Comparison of this exhibit with 1984 reveals little change. For the first time, this exhibit distinguishes between individual tourists and those with a tour group. Looking at these line items on a regional level shows that less than 10 percent of travelers to the Latin and North America regions travel with tour groups, while the remaining three regions indicate a much higher percentage.

Exhibit 4
Market Data*

	All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America
Source of Business						
Domestic	50.2%	24.9%	49.2%	76.9%	42.1%	58.2%
Foreign	49.8	75.6	50.8	23.1	57.9	41.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	40.0	36.9	38.2	45.2	34.9	46.3
Composition of Market						
Government Officials	7.1	9.2	5.7	8.7	3.4	4.8
Businessmen	38.3	39.9	38.5	34.9	39.4	48.5
Tourists (Individual)	20.4	13.6	23.2	23.0	20.3	22.9
Tour Groups	14.0	15.3	20.3	8.0	15.7	6.1
Conference Participants	10.5	5.2	5.7	16.0	12.1	6.2
Other	9.7	16.8	6.6	9.4	9.1	7.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	82.7	69.8	87.4	75.3	90.7	79.1
Compositions of Advance Reservations						
Direct	36.0	38.1	31.4	32.4	41.6	30.6
Reservation Systems	24.8	28.8	25.4	26.1	19.7	34.3
Travel Agents & Tour Operators	27.7	21.9	33.6	27.9	27.8	23.4
Other	11.6	11.2	9.6	13.6	10.9	11.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Arithmetic mean.

Exhibit 5 shows the nationality of guests by region for 1985. The travel preferences indicated here are particularly useful in developing marketing strategies.

Americans were definitely the most frequent travelers in the world, representing more than one of four hotel guests. However, because Americans also were the main target of terrorism in the early part of 1986, it will be interesting to see whether the composition of overseas visitors by nationality changes significantly in next year's study results (1986 data).

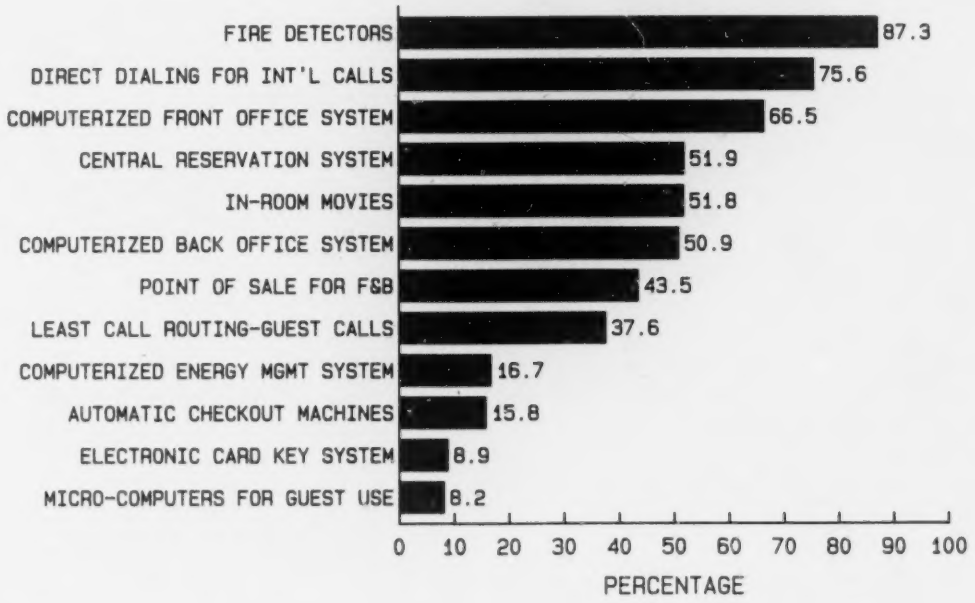
The following charts illustrate the percentage of hotels utilizing various technologies and the percentage offering selected types of services to guests. Each of the five regional sections contains exhibits with similar data, which can be compared with these charts for a perspective on how regional trends compare with those apparent worldwide.

Exhibit 5
Nationality of Guests—1985*
All Hotels

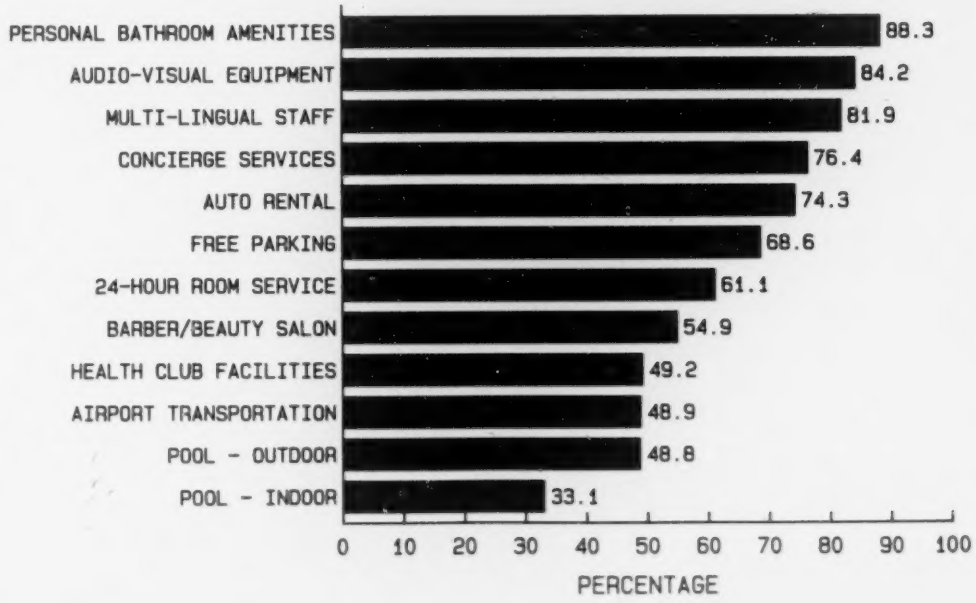
	Rank		All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America
	1985	1984						
American	1	1	27.9	10.5	14.1	54.9	21.2	24.9
Canadian	2	4	9.7	1.5	3.1	29.4	2.3	6.2
German	3	3	8.7	6.5	3.9	1.4	14.6	5.0
British	4	2	7.9	13.6	6.3	2.1	16.5	3.5
Scandinavian	5	6	7.2	1.3	.9	.4	16.6	1.4
Other European	6	8	6.3	8.0	6.7	1.4	7.9	6.9
French	7	10	5.2	14.7	1.8	1.6	5.3	2.8
Japanese	8	11	4.6	3.4	12.1	1.7	2.9	2.5
Australian	9	5	4.3	.7	30.0	.5	1.1	.3
Middle Eastern	10	9	4.2	18.9	1.2	.2	2.7	.1
Other Asian	11	7	4.1	4.6	12.7	.4	1.8	.8
Italian	12	12	3.0	4.0	4.6	.4	3.1	8.0
South American	13	13	2.3	.6	.3	.8	.9	23.8
Other African	14	14	2.1	9.1	.6	.2	1.5	.2
Mexican	15	16	1.2	.3	.1	.4	.3	14.4
Central American	16	15	.7	.1	1.3	.3	.6	2.3
North African	17	17	.6	2.2	.1	**	.7	.6

*Arithmetic mean.
**Less than 0.05 percent.

TECHNOLOGICAL CHARACTERISTICS
PROPERTY AUTOMATION


FIRE DETECTORS 87.3
DIRECT DIALING FOR INT'L CALLS 75.6
COMPUTERIZED FRONT OFFICE SYSTEM 66.5
CENTRAL RESERVATION SYSTEM 51.9
IN-ROOM MOVIES 51.8
COMPUTERIZED BACK OFFICE SYSTEM 50.9
POINT OF SALE FOR F&B 43.5
LEAST CALL ROUTING-GUEST CALLS 37.6
COMPUTERIZED ENERGY MGMT SYSTEM 16.7
AUTOMATIC CHECKOUT MACHINES 15.8
ELECTRONIC CARD KEY SYSTEM 8.9
MICRO-COMPUTERS FOR GUEST USE 8.2
0 10 20 30 40 50 60 70 80 90 100
PERCENTAGE

GUEST SERVICES



REGION I: AFRICA AND THE MIDDLE EAST

Profile of contributors

This section is divided into the geographic subregions of Northern Africa, Southern Africa and the Middle East. Exhibit I-1 gives a profile of the typical contributor for the region. These characteristics should be carefully noted for interpretation of data in the accompanying exhibits. Exhibit I-2 highlights the major operating results during the year.

The median occupancy rate for the region declined 2.4 percent to 61.8 percent for 1985; however, only one subregion, Southern Africa, experienced a decline. This seems highly reasonable considering recent unstable conditions in some of the countries in this subregion. The median average daily rate for the region of $54.24 is slightly below last year's level. As noted earlier, these and other amounts are expressed in U.S. dollars, and fluctuations in exchange rates should be taken into account when comparing data from year-to-year (see Appendix II).

Chart 2 presents the source and distribution of the hotel industry dollar. As expected, room sales provided the majority of revenue for hotels followed by food sales. Increased departmental expenses and food costs led to a decline in income before income taxes.

Exhibit I-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency—
Africa and the Middle East

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	70%–79%
Average Rate	$35–$50
Sales Volume	Between $2–5 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1985

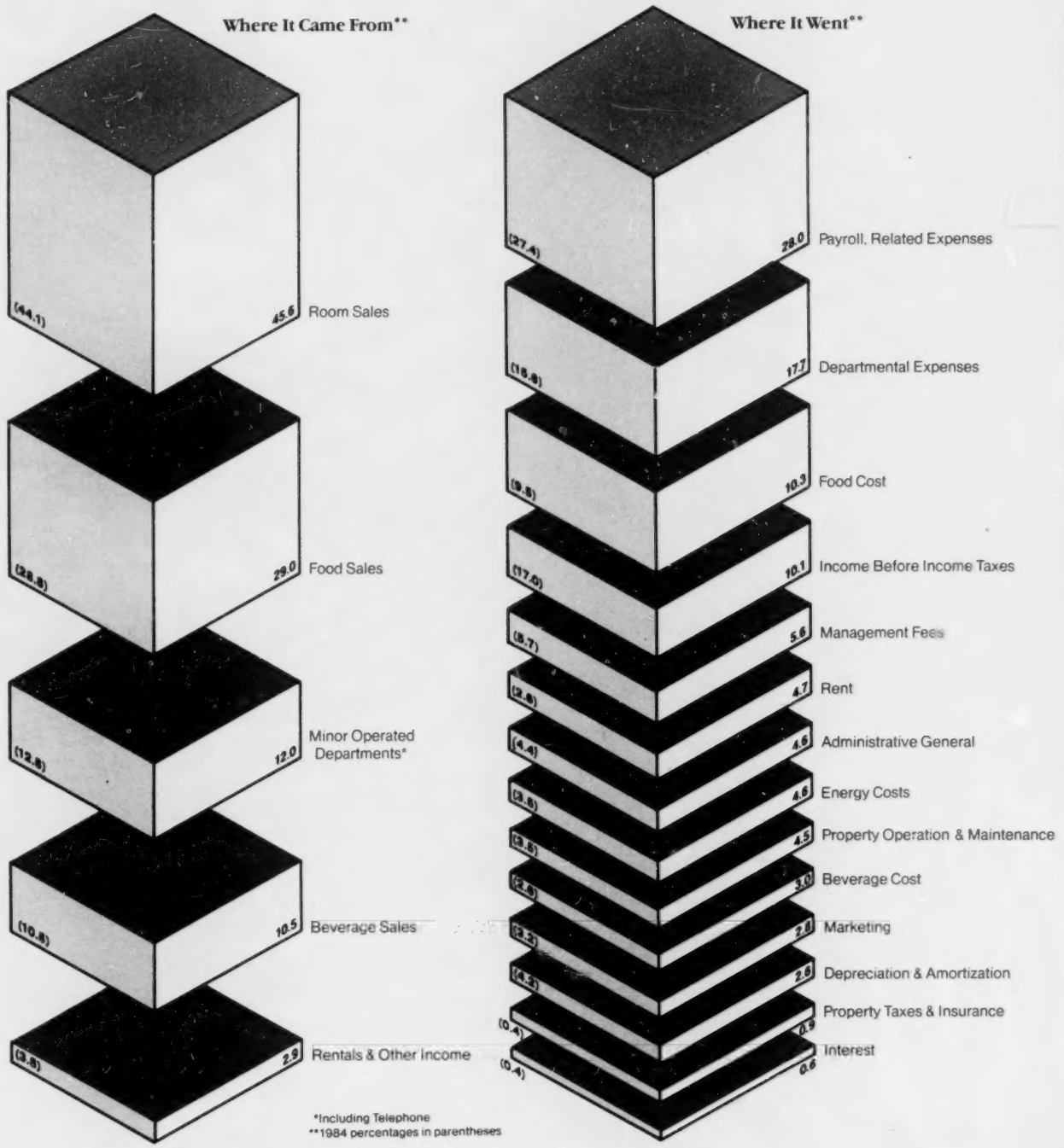
Exhibit I-2
Highlights*
Africa and the Middle East

- Total revenue decreased 6.0 percent on a per room basis.
- Room occupancy decreased 2.4 percent to 61.8 percent compared with 63.3 percent in 1984.
- The average daily rate per occupied room was $54.24 compared with $60.50 in 1984, a decrease 10.3 percent.
- Income before income taxes fell 6.4 percent on a per room basis.

*Based on medians.

Chart 2

Africa and Middle East Hotels
Percentage Distribution of Revenue and Expenses



*Including Telephone
**1984 percentages in parentheses

Exhibit I-3
Market Data*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Source of Business				
Domestic	24.6%	14.0%	19.8%	30.2%
Foreign	75.4	86.0	80.2	69.8
Percentage of Repeat Business	37.8%	15.3%	35.4%	42.6%
Composition of Market				
Government Officials	9.7	4.6	7.5	11.3
Businessmen	40.4	23.5	40.7	43.2
Tourists (Individual)	12.2	21.5	11.2	11.1
Group Tour	15.4	34.6	17.1	11.7
Conference Participants	5.3	2.8	8.9	3.8
Other	17.0	13.0	14.6	18.9
Percentage of Advance Reservations	69.8%	72.6%	74.1%	68.9%
Composition of Advance Reservations				
Direct	38.1%	25.6%	39.0%	40.8%
Reservation Systems	28.8	18.2	25.0	33.6
Travel Agents & Tour Operators	21.9	44.5	26.3	15.8
Other	11.2	11.7	9.7	9.8
Ratio of Travel Agent Commissions to Room Sales	0.7%	2.4%	0.4%	0.5%

*Arithmetic mean.

Exhibit I-4
Nationality of Guests—1985*
All Hotels—Africa and the Middle East

	Rank		Total Region	Northern Africa	Southern Africa	Middle East
	1985	1984				
Middle East	1	1	18.9%	11.3%	2.4%	29.8%
French	2	3	14.7	16.3	25.9	7.9
British	3	4	13.6	7.9	12.0	15.6
American	4	2	10.5	16.9	10.9	9.1
Other African	5	7	9.1	13.9	17.5	3.1
Other European	6	6	8.0	8.7	9.8	7.0
German	7	5	6.5	5.2	5.3	7.4
Other Asian	8	8	4.6	0.8	2.0	6.9
Italian	9	9	4.0	11.1	4.2	2.6
Japanese	10	10	3.4	2.3	2.0	4.4
N. Africa	11	13	2.2	1.6	2.3	2.3
Canadian	12	12	1.5	1.1	2.2	1.2
Scandinavian	13	11	1.3	2.2	1.4	1.0
Australasian	14	14	0.7	0.4	0.5	0.9
South American	15	15	0.6	**	1.2	0.4
Mexican	16	17	0.3	0.2	0.2	0.3
Central American	17	16	0.1	0.1	0.2	0.1

*Arithmetic mean.
**Less than 0.05 percent.

Foreign travelers were the dominant source of business in all three subregions, especially in both African regions where more than 80 percent of all hotel guests came from nondomestic sources. Business travelers comprise the largest market segment for the region. The hotels surveyed reported that advance reservations represented about 70 percent of all rooms sold (Exhibit I-3). The nationality of guests for the region is displayed in Exhibit I-4.

Performance measurements

Total sales and income comparisons are presented for the region and subregions in Exhibit I-5. Median total sales per room are lower in 1985 for all areas examined. Because amounts are reported in U.S. dollars, currency fluctuations should be examined when making comparisons between different years. Income before income taxes fell slightly in the region as a whole, although the Middle East region shows an increase in this measurement.

Occupancy and average rate

As indicated in Exhibit I-6, occupancy rates for the region declined from 63.3 percent for 1984 to 61.8 percent for 1985. Looking at subregions, Northern African properties rates showed no change from 1984, while the Middle East subregion had a slight increase in the median rate for 1985. Occupancy rates for the Southern African region dropped to 67.6 percent from 69.9 in 1984.

Chart 3 compares 1984 and 1985 occupancy rates for the subregions in this section of the report.

Exhibit I-5

Comparison of Sales and Profitability* — Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1985	1984	1985	1984	1985	1984	1985	1984
Amounts Per Available Room								
Total Sales	$25,940	$27,585	$29,065	$43,406	$16,591	$19,052	$26,755	$27,476
Income Before Fixed Charges	4,067	6,510	7,335	8,018	3,765	3,506	5,373	6,446
Net Income** or (Loss)	$ 2,669	$ 2,850	$ 1,963	$ 3,904	$ 1,450	$ 2,825	$ 2,912	$ 2,199
Ratio of Income Before Fixed Charges								
Room Sales	49.1%	43.0%	50.0%	50.8%	32.5%	33.3%	55.0%	42.9%
Total Sales	21.4	19.2	18.4	22.7	16.2	18.9	23.8	19.4
Number of Times Average Rate Was Earned	111	104	152	126	84	115	110	89
Increase (Decrease)	6.7%		20.6%		(27.0)%		23.6%	

*All figures are medians.
**Before income tax.

Exhibit I-6

Occupancy, Double Occupancy, Room Rates* — Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1985	1984	1985	1984	1985	1984	1985	1984
Annual Room Occupancy	61.8%	63.3%	72.7%	72.7%	67.6%	69.9%	56.9%	53.3%
Number of Guests Per Room	1.20	1.26	1.84	1.53	1.18	1.31	1.19	1.22
Average Daily Rate								
Per Room (U.S. Dollars)	$54.24	$60.50	$30.08	$59.86	$39.56	$34.01	$64.32	$68.92
Per Guest (U.S. Dollars)	43.67	46.36	**	50.58	31.96	24.02	52.03	49.14

*All figures are medians.
**Insufficient data.

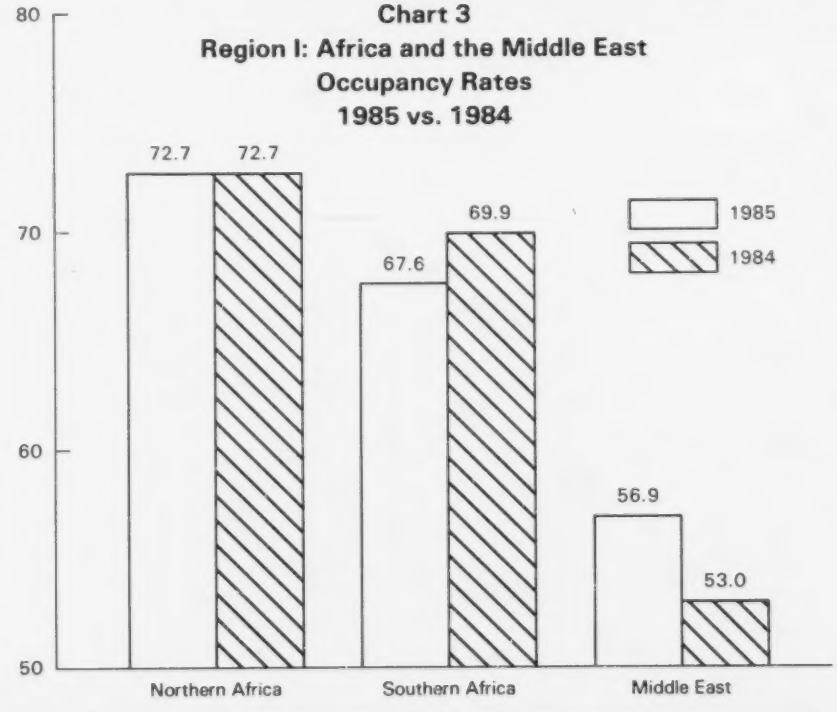


Exhibit I-7
Percentage of Hotels Utilizing Various Technologies*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Computerized Reservation System	22.5%	42.9%	3.7%	30.4%
Computerized Guest Accounting	26.3	28.6	22.2	28.3
Computerized Accounting System (General Ledger)	51.3	71.4	33.3	58.7
Computerized Energy Management System	6.4	14.3	3.9	6.7
Automatic Checkout Machines	11.5	16.7	15.4	8.7
Electronic Card Key System	1.3	14.3	0	0
Direct Dialing for International Telephone Calls	67.5	42.9	51.9	80.4
Least Cost Routing for Guest Telephone Calls	42.3	25.0	17.4	56.8
Point of Sales Terminals for Food and Beverage Outlets	42.1	40.0	26.9	51.1
Fire Detectors (Heat or Smoke)	85.0	100.0	63.0	95.7
Microcomputers Available for Guest Use	8.75	0	3.7	13.0
In-Room Movies (Pay Per View)	53.8	28.6	37.0	67.4

*Based on hotels supplying data.

Use of technology and guest services

Exhibit I-7 presents the percentage of participating hotels using different technological systems. Less than one in every four hotels in this region use a computerized reservation system, while about half the properties utilize a computerized general ledger accounting system. Over 67 percent of hotels included in this report indicated using direct dialing for international calls. The typical contributor in this region has a first-class rating. For this reason, more than 90 percent of the respondents said they offer their hotel guests concierge services, multilingual staff and personal amenities (Exhibit I-8).

Exhibit I-8
Percentage of Hotels Offering Various Guest Services*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Airport Transportation	70.5%	71.4%	57.7%	77.8%
Audio-Visual Equipment	83.5	83.3	81.5	84.8
Auto Rental Services	82.3	71.4	80.8	84.8
Barber/Beauty Salon	79.7	100.0	61.5	87.0
Concierge Services	92.4	85.7	80.8	100.0
Free Parking	90.0	57.1	88.9	95.7
Health Club Facilities	46.8	42.9	30.8	56.5
Multilingual Staff	93.7	100.0	88.9	95.7
Personal Bathroom Amenities	94.9	100.0	88.5	97.8
Pool (Indoor)	22.7	16.7	36.8	17.1
Pool (Outdoor)	84.4	100.0	81.5	84.1
24-Hour Room Service	86.3	85.8	81.5	89.1

*Based on hotels supplying data.

Analysis of sales

Room sales provided the largest source of revenue for all three subregions, with Middle Eastern properties indicating the highest proportion with 47 percent. Each of the regions derived more than one-fourth of their revenue from food sales (Exhibit I-9).

Summary

The remaining exhibits provide information ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by department type and reported in medians. It is important to note that columns of median numbers cannot be totaled when using the indices. Each line item should be analyzed separately.

Exhibit I-9
Composition of Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Arica	Middle East
Rooms	45.9%	40.4%	46.6%	47.0%
Food	28.5	30.4	28.1	28.2
Beverage	10.5	8.4	12.4	10.0
Telephone	6.4	4.6	5.7	7.3
Minor Operated Departments	5.8	13.4	5.3	4.0
Rentals & Other Income	2.9	2.8	1.9	3.5
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit I-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Telephone				
Amount Per Available Room				
Sales	$1,381	$1,446	$985	$1,972
Cost of Sales				
Cost of Calls	982	1,149	749	1,177
Equipment Rental	46	14	41	74
Total	1,048	1,098	804	1,291
Payroll & Related Expenses	105	49	55	177
All Other Expenses	13	19	11	13
Total Cost & Expenses	1,192	1,080	896	1,523
Net Departmental Income or (Loss)	$ 225	$ 192	$139	$ 404
Ratio to Total Sales				
Sales	6.1%	7.1%	4.6%	6.5%
Cost of Sales	4.5	5.5	3.9	4.7
Payroll & Related Expenses	0.5	0.2	0.3	0.6
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 852	$1,499	$471	$ 964
Cost of Sales	168	380	92	175
Payroll & Related Expenses	196	106	127	208
Other Expenses	63	89	20	55
Total Costs & Expenses	392	639	212	429
Net Departmental Income	$ 407	$ 860	$223	$ 425
Ratio to Total Sales				
Sales	3.2%	3.5%	2.7%	3.2%
Cost of Sales	0.7	1.3	0.7	0.6
Payroll & Related Expenses	0.7	0.5	0.6	0.7
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 159	$ 391	$ 66	$ 197
Concessions	150	188	101	189
Commissions	107	107	**	88
Other	232	183	111	261
Total Rentals & Other Income	$ 468	$ 767	$232	$ 543
Ratio to Total Sales	1.9%	2.7%	1.7%	1.9%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit I-11
Food and Beverage Statistics*
Africa and the Middle East

	Total Region	Northern African	Southern Africa	Middle East
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$3,837	$8,186	$2,790	$3,869
Room Service	796	932	382	905
Banquet	1,254	779	813	1,756
Bar/Lounge	228	97	175	273
Total	$6,393	$8,689	$4,159	$7,200
Ratio to Total Sales				
Dining Room	62.1%	69.7%	67.3%	57.4%
Room Service	11.1	14.2	8.7	12.3
Banquet	21.1	16.7	19.9	22.9
Bar/Lounge	4.4%	4.2%	5.7%	4.9%
Amount Per Seat				
Dining Room	$3,570	$2,266	$2,919	$4,513
Banquet	750	772	596	808
Bar/Lounge	364	274	540	346
Total	$1,635	$1,865	$2,017	$1,586
Average Check				
Dining Room	$10.51	$ 6.37	$ 7.56	$11.14
Room Service	7.23	3.69	4.96	8.25
Banquet	12.91	6.97	11.85	14.09
Total	$10.33	$ 5.50	$ 8.39	$11.48
Covers Served Per Seat				
Dining Room	415	517	476	371
Banquet	56	113	57	47

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-11 (continued)
Food and Beverage Statistics*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Room Service Sales				
Per Occupied Room				
Food	$ 4.67	$ 4.99	$ 2.30	$ 5.97
Beverage	.95	.66	.82	1.04
Total	$ 5.83	$ 5.93	$ 3.33	$ 6.94
Per Guest				
Food	$ 2.79	$ 1.68	$ 1.96	$ 4.39
Beverage	.64	.13	.63	.77
Total	$ 4.06	$ 1.81	$ 2.52	$ 5.62
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 782	$1,663	$ 649	$ 782
Room Service	148	115	156	153
Banquet	310	90	307	356
Bar/Lounge	1,023	696	561	1,581
Total	$2,088	$1,901	$2,002	$2,581
Ratio to Total Beverage Sales				
Dining Room	36.6%	82.3%	38.6%	33.5%
Room Service	6.5	6.3	8.1	5.8
Banquet	15.4	7.7	20.4	13.8
Bar/Lounge	42.7	50.1	33.1	46.3
Ratio to Food Sales				
Dining Room	23.1	20.2	27.0	22.7
Room Service	19.6	13.2	32.2	18.6
Banquet	29.4	10.6	46.6	22.6
Total (Including Bar/Lounge)	38.9%	27.7%	45.4%	42.7%
Amount Per Seat				
Dining Room	$ 591	$ 319	$ 736	$ 576
Banquet	155	135	276	149
Bar/Lounge	1,642	859	1,551	2,529
Total	$ 611	$ 569	$ 882	$ 397

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-12
Employment Statistics*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Employment Statistics				
Sales Per Employee				
Rooms	$41,923	$31,997	$33,828	$59,225
Food & Beverage	25,122	16,980	13,030	30,396
Telephone	75,699	78,286	41,551	97,958
Minor Departments	28,026	13,016	20,609	29,183
Total Sales Per Employee	$24,263	$18,858	$15,721	$30,946
Productivity Index				
1985	3.40	4.62	3.39	2.49
1984	3.42	4.52	3.65	2.84
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	23.5	40.7	31.5	21.4
Food & Beverage	43.9	67.5	52.8	40.2
Telephone	2.3	2.4	2.8	2.2
Minor Departments	3.5	4.9	3.6	3.4
Administrative & General	11.8	14.7	14.0	10.8
Marketing	1.7	2.4	1.5	1.8
Convention	5.5	**	5.7	3.6
Property Operation & Maintenance	9.1	13.2	10.4	8.6
Personnel	2.4	2.2	1.4	2.6
House Laundry	4.2	3.5	6.2	3.8
Other	2.1	2.1	2.5	2.1
Total	108.5	174.0	126.9	102.4

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit I-13
Analysis of Undistributed Operating Expenses* Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,514	$1,453	$1,181	$1,786
Other	1,160	1,317	1,275	1,040
Total	$2,833	$2,770	$2,782	$2,917
Ratio to:				
Room Sales	24.6%	19.9%	32.0%	22.7%
Total Sales—1985	10.4	8.0	15.5	9.7
Total Sales—1984	10.6	7.7	13.0	10.8
Increase (Decrease)	(1.9)%	3.9%	19.2%	(10.2)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 226	$ 226	$ 85	$ 295
Other	691	852	427	768
Total	$ 858	$1,079	$ 447	$1,090
Ratio to:				
Room Sales	7.9%	7.9%	5.7%	8.7%
Total Sales—1985	3.3	3.3	2.7	3.6
Total Sales—1984	3.6	4.0	3.0	3.6
Increase (Decrease)	(8.3)%	(17.5)%	(10.0)%	—
Energy Costs				
Cost Per Available Room	$1,055	$ 642	$1,086	$1,074
Ratio to:				
Room Sales	10.1%	7.2%	14.2%	9.4%
Total Sales—1985	4.6	2.1	6.9	4.3
Total Sales—1984	3.6	3.0	5.1	3.4
Increase (Decrease)	27.8%	(30.0)%	35.2%	26.5%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 771	$ 627	$ 483	$ 928
Other	947	944	813	996
Total	$1,714	$1,520	$1,236	$2,008
Ratio to:				
Room Sales	16.5%	18.3%	14.3%	16.5%
Total Sales—1985	6.8	6.3	6.2	7.4
Total Sales—1984	7.2	6.0	7.2	7.5
Increase (Decrease)	(5.6)%	5.0%	(13.9)%	(1.3)%

—No change.
*All figures are medians and do not necessarily add to totals shown.

Exhibit I-14
Energy Costs Per Occupied Room Per Day*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Fuel	$ .90	$ .96	$ .65	$1.21
Electricity	4.06	1.40	4.48	4.17
Water	.57	.16	.49	.67
Steam	.44	.12	.59	.37
Credit for Sale of Energy	.17	.12	.08	.41
Net Energy Cost—1985	$5.20	$3.77	$6.54	$5.80
Net Energy Cost—1984	$4.71	$4.47	$4.84	$4.71
Increase (Decrease)	10.4%	(15.7)%	35.1%	23.1%

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-15
Method of Payment for Hotel Services*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Cash	36.3%	33.0%	33.1%	36.6%
Credit Card	20.5	25.4	20.5	21.8
All Other Credit	43.2	41.6	46.4	41.6

*Based on arithmetic mean.

Exhibit I-16
Credit Card Commission
Annual Cost Per Occupied Room*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Annual Cost Per Occupied Room	$226	$500	$99	$284
Ratio to Total Sales	0.5%	1.3%	0.4%	0.6%

*All figures are medians.

Exhibit I-17
Credit Card Sales By Type of Card
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
American Express	62.5%	65.5%	54.9%	66.1%
VISA	16.5	14.6	23.1	13.1
MasterCard	5.3	2.5	5.8	5.5
Diner's Club	14.3	9.3	15.2	14.7
Other	1.4	8.1	1.0	0.6

Exhibit I-18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Amount Per Room				
Rent	$ 537	$ 149	$1,531	$ 537
Property Taxes	194	211	157	113
Insurance on Buildings & Contents	128	248	76	122
Interest Expense	31	17	128	*
Depreciation & Amortization	758	1,146	764	710
Total Fixed Charges	$1,224	$2,123	$2,453	$1,003
Ratio to Total Sales—1985	5.5%	8.9%	11.3%	3.3%
Ratio to Total Sales—1984	5.4	5.1	4.3	6.3
Increase (Decrease)	1.9%	74.5%	162.8%	(47.6)%

*Insufficient response.

Region I

Currency Conversion Tables
1985 vs. 1984 Percentage of Change
Africa and Middle East

	1985 Factor [$US/(x)]	1984 Factor [$US/(x)]	Percentage of Change
Subregion 1—Northern Africa			
Algeria	0.20019	0.19521	2.6%
Egypt	1.42860	1.42860	0%
Libya	3.37780	3.37780	0%
Morocco	0.09992	0.10470	(4.6)
Tunisia	1.20609	1.15393	4.5%
Subregion 2—Southern Africa			
Benin	0.00229	0.00211	8.5%
C.F.A.*	0.00229	0.00208	10.1%
Ethiopia	0.48309	0.48309	0%
Gambia	0.26457	0.23130	14.4%
Ghana	0.01839	0.02000	(8.1%)
Kenya	0.06103	0.06337	(3.7%)
Lesotho	0.45080	0.50400	(10.6%)
Mauritius	0.06550	0.06409	2.2%
Nigeria	1.02693	1.23720	(17%)
Seychelles	0.14153	0.13591	4.1%
Sierre Leone	0.19829	0.39840	(50.2%)
South Africa	0.45080	0.50400	(10.6%)
Sudan	0.43077	0.76920	(44%)
Tanzania	0.05774	0.05523	4.5%
Zaire	0.02000	0.02472	(19.1%)
Zambia	0.36073	0.45440	(20.6%)
Zimbabwe	0.66238	0.66560	(0.5%)
Subregion 3—Middle East			
Bahrain	2.65960	2.65960	0%
Cyprus	1.51204	1.55250	(2%)
Iran	0.01106	0.01064	3.9%
Iraq	3.21690	3.21690	0%
Israel	0.00090	0.00157	(42.7%)
Jordan	2.55750	2.46910	3.6%
Kuwait	3.33927	3.28450	1.7%
Lebanon	0.06112	0.11249	(45.7%)
Oman	2.60000	2.89519	(10.2%)
Qatar	0.27473	0.27473	0%
Saudi Arabia	0.27602	0.27972	(1.3%)
Syrian Arab Republic	0.25478	0.25478	0%
Turkey	0.00191	0.00225	(15.1%)
United Arab Emirates	0.27241	0.27240	0.003%

Source: *International Financial Statistics*,.
*United Republic of Cameroon, Central African Republic, Republic of Chad, People's Republic of the Congo, Republic of Gabon, Republic of the Ivory Coast, Republic of Niger, and Republic of Senegal.

REGION II: ASIA AND AUSTRALASIA

Exhibit II-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Asia & Australasia

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	60%–70%
Average Rate	Between $40 and $50 (U.S.)
Sales Volume	Between $3–$6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1985

Exhibit II-2
Highlights*
Asia and Australasia

- Total revenue declined 8.9 percent on a per room basis.
- Room occupancy declined 2.1 percent to 68.3 percent compared with 69.8 in 1984.
- The average daily rate per occupied room was $43.19 compared with $49.78 in 1984.
- Income before income taxes was 31.8 percent lower than 1984 on a per room basis.

*Based on medians.

Profile of contributors

This region is broken down into the three subregions of Asia, Pacific Basin/ Far East and Australia. Exhibit II-1 profiles the typical contributor for the region. As previously mentioned, these characteristics should be carefully noted in interpreting the data in the accompanying exhibits. Exhibit II-2 highlights the major operating results during the year.

The median room occupancy rate for the region declined 2.1 percent to 68.3 percent in 1985. The average daily rate for this region fell to $43.19 during 1985 from a rate of nearly $50 in 1984, although much of this decline stemmed from currency fluctuations. A currency exchange

Exhibit II-3
Market Data*
Asia and Australasia

	Total Region	Asia	Far East/ Pacific Basin	Australia
Source of Business				
Domestic	49.2%	24.4%	15.7%	68.4%
Foreign	50.8	75.6	84.3	31.6
Percentage of Repeat Business	38.2%	39.4%	40.0%	36.9%
Composition of Market				
Government Officials	5.7	6.1	3.6	6.2
Business Travelers	38.4	41.6	44.2	35.5
Tourists (Individual)	23.2	17.6	20.4	26.1
Tour Groups	20.4	20.1	20.9	20.3
Conference Participants	5.7	6.6	3.4	6.1
Other	6.6	8.0	7.5	5.8
Percentage of Advance Reservations	87.4%	87.8%	87.6%	87.2%
Composition of Advance Reservations				
Direct	31.4%	20.0%	31.3%	35.7%
Reservation Systems	25.4	37.6	25.0	21.0
Travel Agents & Tour Operators	33.6	34.4	31.7	33.7
Other	9.6	8.0	12.0	9.6
Ratio of Travel Agent Commissions to Room Sales	1.2%	0.6%	1.2%	1.6%

*Arithmetic mean.

table is provided at the end of this section.

Chart 4 analyzes the source and distribution of the lodging industry dollar. Room sales provided the majority of revenue for hotels followed by food sales. On the distribution side, increases in both payroll and departmental expenses led to a decline in income before income taxes from 1984.

Market data is provided in Exhibit II-3 for the entire region and the subregional categories. Both the Asia and the Pacific/Far East regions rely heavily on foreign sources for their hotel guests, whereas Australia, due in part to its geographic location, had a much lower percentage of foreign visitors. Although the largest market segment for all three subregions was the business traveler, tour groups provided significant demand for the regions analyzed. Advanced reservations represented nearly 90 percent of all rooms sold, with virtually no variance among the subregions. The nationality breakdown of guests is displayed in Exhibit II-4.

Exhibit II-4
Nationality of Guests—1985*
All Hotels—Asia and Australasia

	Rank		Total Region	Asia	Pacific Basin/ Far East	Australia
	1985	1984				
Australasian	1	1	30.0	11.0	7.7	68.4
American	2	3	14.1%	14.1%	27.4%	12.1%
Other Asian	3	2	12.7	18.8	19.1	3.3
Japanese	4	4	12.1	9.2	18.0	4.0
Other European	5	6	6.7	13.7	3.8	1.6
British	6	5	6.3	8.2	8.1	1.6
Italian	7	10	4.6	3.6	1.6	1.7
German	8	7	3.9	8.5	3.6	1.9
Canadian	9	11	3.1	3.0	3.3	2.0
French	10	8	1.8	4.1	2.5	.4
Central American	11	15	1.3	.1	.4	.9
Middle Eastern	12	9	1.2	3.2	1.7	.3
Scandinavian	13	12	0.9	1.8	1.1	.6
Other African	14	13	0.6	.4	.6	.8
South American	15	14	0.3	.1	.7	.3
North African	16	16	0.1	.1	.2	.1
Mexican	17	17	0.1	.1	.2	**

*Arithmetic mean.
**Less than 0.05 percent.

Performance measurements

Total sales and income comparisons are presented for the region and subregions in Exhibit II-5. Median total sales per room fell for the region and the Asia and Australian subregions, while total sales per room rose in the Pacific Basin/Far East region. However, currency fluctuations played a major role in these results. During 1985 the Australian dollar fell nearly 16 percent against the U.S. dollar, while the Japanese yen rose 7.5 percent.

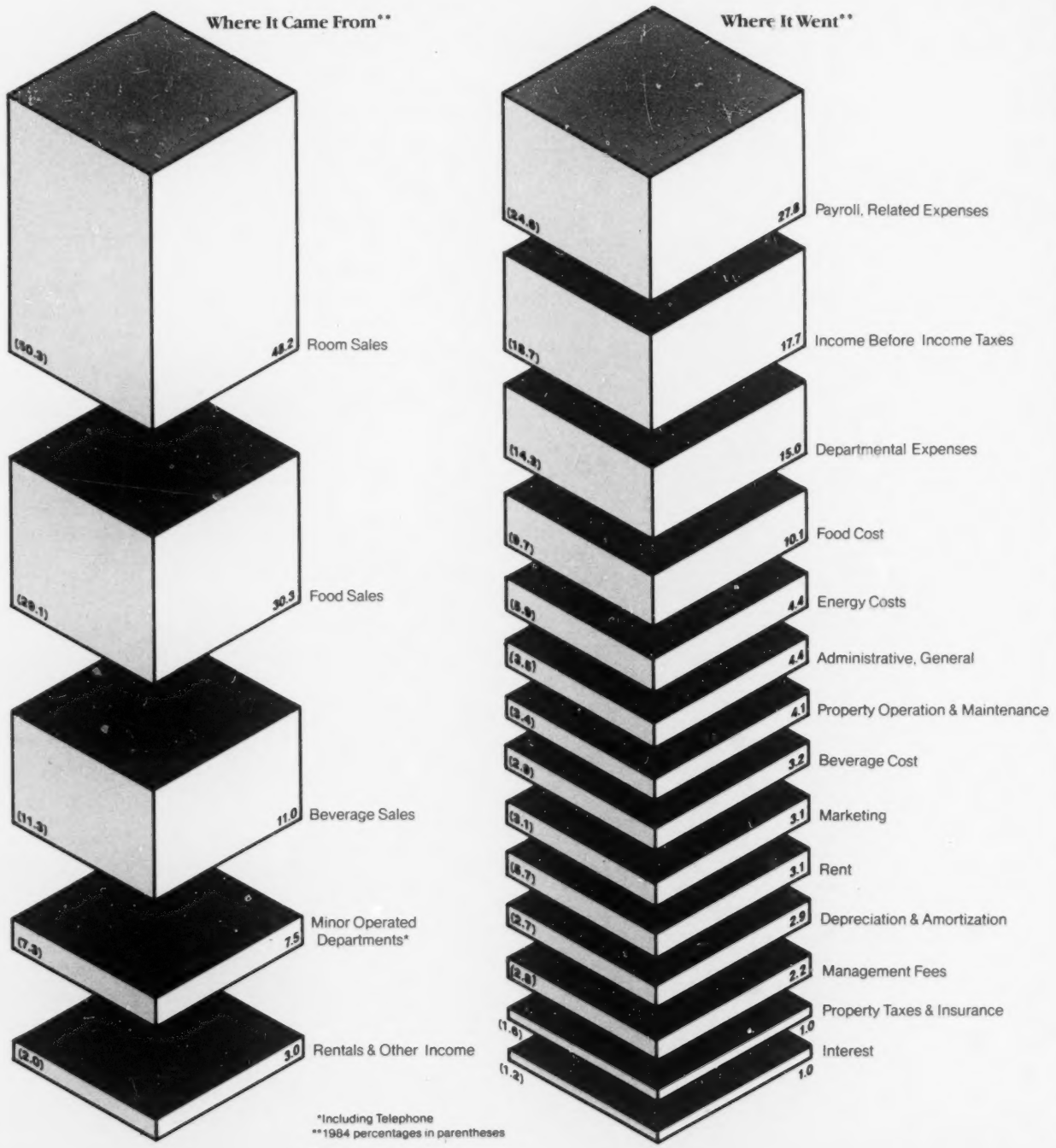
Exhibit II-5
Comparison of Sales and Profitability*
Asia and Australasia

	Total Region		Asia		Pacific Basin/ Far East		Australia	
	1985	1984	1985	1984	1985	1984	1985	1984
Amounts Per Available Room								
Total Sales	$21,444	$23,550	$19,113	$20,754	$34,889	$29,163	$20,340	$23,607
Income Before Fixed Charges	4,202	6,083	3,235	5,322	12,945	8,914	3,952	6,083
Net Income** or (Loss)	$ 1,566	$ 2,295	$ 1,042	$ 1,297	$ 5,394	$ 6,321	$ 1,021	$ 1,463
Ratio of Income Before Fixed Charges								
Room Sales	43.1%	51.3%	44.0%	54.6%	71.7%	60.3%	38.1%	33.8%
Total Sales	27.0	26.0	26.9	26.6	28.4	32.1	21.3	25.4
Number of Times Average Rate Was Earned	120	127	103	130	231	194	108	119
Increase (Decrease)	(5.5)%		(20.8)%		19.1%		(9.2)%	

*All figures are medians.
**Before income tax.

Chart 4

Asia and Australasia
Percentage Distribution of Revenue and Expenses


Where It Came From**
(50.3) 48.2 Room Sales
(29.1) 30.3 Food Sales
(11.3) 11.0 Beverage Sales
(7.3) 7.5 Minor Operated Departments*
(2.0) 3.0 Rentals & Other Income
Where It Went**
(24.6) 27.8 Payroll, Related Expenses
(18.7) 17.7 Income Before Income Taxes
(14.3) 15.0 Departmental Expenses
(9.7) 10.1 Food Cost
(3.9) 4.4 Energy Costs
(3.8) 4.4 Administrative, General
(3.4) 4.1 Property Operation & Maintenance
(2.8) 3.2 Beverage Cost
(3.1) 3.1 Marketing
(3.7) 3.1 Rent
(2.7) 2.9 Depreciation & Amortization
(2.8) 2.2 Management Fees
(1.6) 1.0 Property Taxes & Insurance
(1.2) 1.0 Interest

*Including Telephone
**1984 percentages in parentheses

Occupancy and average rate

As indicated in Exhibit II-6, occupancy rates for the region fell from 69.8 percent during 1984 to 68.3 percent in 1985. Oddly, all three subregions indicated increases in their individual occupancy rates. The reason for this unlikely occurrence is that the composition of the sample of hotels participating in 1985 significantly differed from 1984. A larger proportion of the total hotels included from the region for 1985 are located in the Asia subregion, which has a lower occupancy level than the other two subregions. This results in a lower median occupancy rate for the total region.

Chart 5 presents a comparison of 1984 and 1985 occupancy rates for the subregions in this section.

Exhibit II-6
Occupancy, Double Occupancy, Room Rates*
Asia and Australasia

	Total Region		Asia		Pacific Basin/ Far East		Australia	
	1985	1984	1985	1984	1985	1984	1985	1984
Annual Room Occupancy	68.3%	69.8%	65.7%	65.1%	81.0%	77.7%	67.6%	67.5%
Number of Guests Per Room	1.52	1.35	1.28	1.21	1.44	1.62	1.56	1.35
Average Daily Rate								
Per Room (U.S. Dollars)	$43.19	$49.78	$41.33	$43.61	$58.90	$49.28	$41.24	$51.40
Per Guest (U.S. Dollars)	31.41	35.28	33.18	31.76	41.93	31.78	28.6	41.00

*All figures are medians.

Chart 5
Region II: Asia and Australasia
Occupancy Rates
1985 vs. 1984

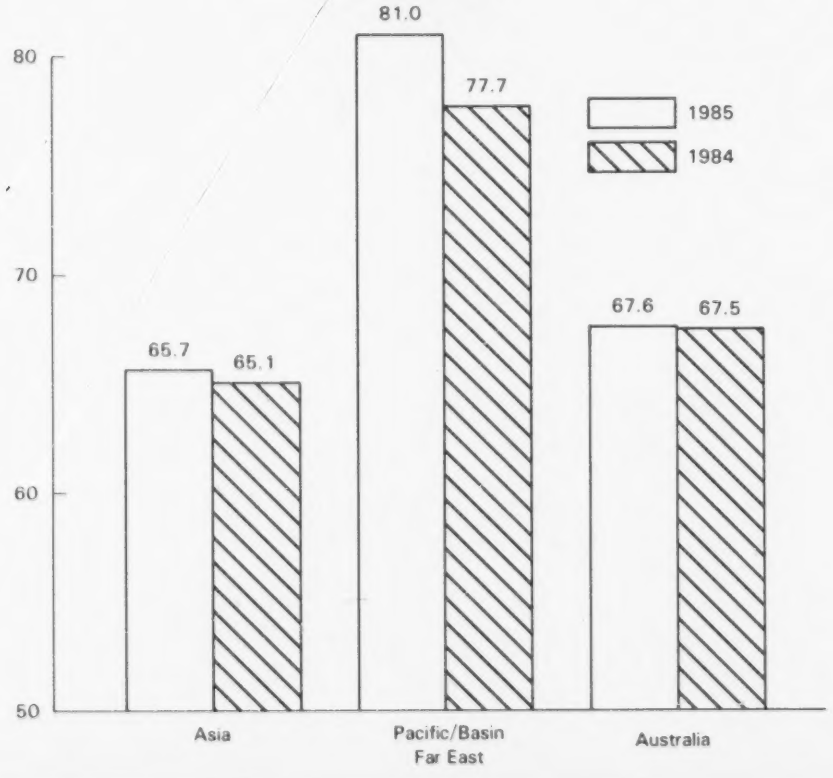


Exhibit II-7
Percentage of Hotels Utilizing Various Technologies*
Asia and Australasia

	Total Region	Asia	Far East Pacific Basin	Australia
Computerized Reservation System	51.0%	42.9%	66.7%	49.2%
Computerized Guest Accounting	47.0	52.4	66.7	39.3
Computerized Accounting System (General Ledger)	62.0	57.1	66.7	62.3
Computerized Energy Management System	35.7	20.0	27.8	43.3
Automatic Checkout Machines	12.1	15.0	5.6	13.1
Electronic Card Key System	8.0	23.8	11.1	1.6
Direct Dialing for International Telephone Calls	80.0	66.6	88.9	82.0
Least Cost Routing for Guest Telephone Calls	24.5	42.1	44.4	12.3
Point of Sales Terminals for Food and Beverage Outlets	37.4	65.0	72.2	18.0
Fire Detectors (Heat or Smoke)	82.7	85.0	94.4	78.3
MicroComputers Available for Guest Use	10.1	14.3	11.8	8.2
In-Room Movies (Pay Per View)	55.0	38.1	50.0	62 3

*Based on hotels supplying data.

Use of technology and guest services

Exhibit II-7 shows the different technological systems used by the hotels surveyed. Slightly more than half of all respondents in this region use computerized reservation system, while 35.7 percent of hotels have computerized energy management systems installed. The least used item among those listed is the electronic card key system with just 8 percent of hotels using them.

The majority of hotels surveyed offer a variety of guest services, including auto rental and airport transportation (Exhibit II-8).

Exhibit II-8
Percentage of Hotels Offering Various Guest Services*
Asia and Australasia

	Total Region	Asia	Far East Pacific Basin	Australia
Airport Transportation	58.6%	80.0%	88.9%	42.6%
Audio-Visual Equipment	89.0	90.5	88.9	88.5
Auto Rental Services	84.9	76.2	66.7	93.3
Barber/Beauty Salon	66.0	76.2	77.8	59.0
Concierge Services	82.8	90.0	100.0	75.4
Free Parking	91.9	100.0	88.9	90.0
Health Club Facilities	43.0	71.4	55.6	29.5
Multilingual Staff	75.8	71.4	88.9	73.3
Personal Bathroom Amenities	96.0	90.5	94.4	98.4
Pool (Indoor)	17.8	19.0	17.7	17.3
Pool (Outdoor)	72.5	76.2	44.5	80.0
24-Hour Room Service	81.0	81.0	88.9	78.7

*Based on hotels supplying data.

Analysis of sales

Room sales provided the largest proportion of total sales for the region and subregions, followed by food sales. Australia relied more on beverage sales than the other two subregions. Exhibit II-9 outlines these figures.

Summary

The remaining exhibits provide information on ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by department type and reported in medians. It is important to note that columns of median numbers cannot be totaled when using the indices. Each line item should be analyzed separately.

Exhibit II-9
Composition of Sales*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Rooms	53.3%	54.3%	54.5%	52.4%
Food	27.2	24.6	27.1	28.4
Beverage	10.7	8.4	7.7	12.8
Telephone	3.8	5.3	4.1	2.9
Minor Operated Departments	2.7	4.0	4.0	1.7
Rentals & Other Income	2.3	3.4	2.6	1.8
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit II-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Telephone				
Amount Per Available Room				
Sales	$740	$764	$1,302	$684
Cost of Sales				
Cost of Calls	594	625	**	502
Equipment Rental	75	38	**	82
Total	632	669	1,090	535
Payroll & Related Expenses	116	61	127	169
All Other Expenses	7	7	10	5
Total Cost & Expenses	$703	$744	$1,145	$649
Net Departmental Income or (Loss)	35	116	171	(26)
Ratio to Total Sales				
Sales	3.5%	4.6%	4.4%	3.1%
Cost of Sales	3.1	3.9	3.3	2.8
Payroll & Related Expenses	0.5	0.3	0.3	0.6
Minor Operated Departments				
Amount Per Available Room				
Sales	$453	$587	$754	$320
Cost of Sales	154	135	202	174
Payroll & Related Expenses	110	74	132	120
Other Expenses	37	39	46	27
Total Costs & Expenses	274	248	383	262
Net Departmental Income	$165	$166	$351	$ 61
Ratio to Total Sales				
Sales	2.2%	3.0%	2.9%	1.4%
Cost of Sales	0.6	0.7	0.6	0.5
Payroll & Related Expenses	0.4	0.4	0.4	0.4
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 82	$101	$232	$ 54
Concessions	85	**	58	**
Commissions	28	24	51	30
Other	166	336	400	111
Total Rentals & Other Income	354	454	687	185
Ratio to Total Sales	1.3%	2.7%	2.1%	0.8%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit II-11
Food and Beverage Statistics*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$4,182	$3,281	$ 7,174	$4,004
Room Service	551	377	509	651
Banquet	1,270	1,042	1,819	1,120
Bar/Lounge	255	249	288	119
Total	$6,144	$4,870	$10,708	$5,859
Ratio to Total Sales				
Dining Room	69.9%	69.5%	71.9%	68.7%
Room Service	7.3	7.0	5.9	9.5
Banquet	21.7	23.2	21.0	22.3
Bar/Lounge	2.2	2.9	1.8	1.6
Amount Per Seat				
Dining Room	$5,122	$4,311	$ 7,193	$5,202
Banquet	860	653	1,477	873
Bar/Lounge	511	339	534	1,060
Total	$2,174	$1,210	$ 3,374	$2,590
Average Check				
Dining Room	$ 8.87	$ 5.53	$ 7.96	$ 9.45
Room Service	6.20	4.72	6.08	6.31
Banquet	8.91	6.89	11.71	10.33
Total	$ 8.18	$ 4.95	$ 6.90	$ 9.12
Covers Served Per Seat				
Dining Room	611	663	769	547
Banquet	100	105	141	86

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-11 (continued)
Food and Beverage Statistics*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Room Service Sales				
Per Occupied Room				
Food	$ 2.05	$ 1.53	$ 1.76	$ 2.64
Beverage	.54	.23	.28	.82
Total	$ 2.45	$ 2.02	$ 2.29	$ 3.66
Per Guest				
Food	$ 1.84	$ 1.49	$ 2.07	$ 1.98
Beverage	.48	.23	.24	.91
Total	$ 2.60	$ 1.66	$ 2.28	$ 2.83
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$1,063	$ 600	$1,225	$1,127
Room Service	140	50	57	199
Banquet	308	241	308	347
Bar/Lounge	848	723	1,405	790
Total	$2,558	$1,930	$2,648	$2,699
Ratio to Total Beverage Sales				
Dining Room	41.7%	42.6%	42.3%	40.1%
Room Service	3.6	2.0	2.4	7.4
Banquet	13.5	12.3	15.1	15.4
Bar/Lounge	40.1%	47.1%	34.1%	33.6%
Ratio to Food Sales				
Dining Room	24.3%	24.6%	17.0%	26.5%
Room Service	19.8	13.4	11.6	41.4
Banquet	28.6	21.4	22.5	25.8
Total (Including Bar/Lounge)	40.3%	39.9%	31.8%	46.7%
Amount Per Seat				
Dining Room	$1,128	$ 729	$1,111	$1,286
Banquet	248	108	347	271
Bar/Lounge	3,222	2,157	3,231	6,069
Total	$915	$481	$862	$1,174

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-12
Employment Statistics*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Employment Statistics				
Sales Per Employee				
Rooms	$46,837	$28,500	$49,598	$53,790
Food & Beverage	23,422	12,001	21,997	26,877
Telephone	45,989	38,849	75,327	41,924
Minor Departments	29,783	27,000	33,074	28,280
Total Sales Per Employee	$27,129	$14,876	$28,254	$29,688
Productivity Index				
1985	3.48	3.42	4.49	2.99
1984	3.51	4.86	4.39	2.96
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	25.0	40.5	36.2	20.0
Food & Beverage	41.0	69.7	64.0	32.4
Telephone	1.9	2.9	2.4	1.5
Minor Departments	3.8	3.8	6.4	2.7
Administrative & General	8.4	13.2	10.0	7.0
Marketing	1.9	2.7	3.1	1.4
Convention	3.0	5.2	7.0	2.6
Property Operation & Maintenance	4.1	10.9	9.7	2.6
Personnel	1.1	1.4	1.2	0.7
House Laundry	3.3	5.5	3.7	2.5
Other	1.8	2.1	1.1	1.9
Total	94.4	154.1	140.0	69.2

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.

Exhibit II-13
Analysis of Undistributed Operating Expenses* Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,046	$ 813	$ 944	$1,168
Other	871	722	871	927
Total	$2,007	$1,604	$1,968	$2,134
Ratio to:				
Room Sales	17.1%	17.4%	11.0%	17.4%
Total Sales — 1985	8.6	8.4	5.8	9.3
Total Sales — 1984	6.8	7.8	N/A	N/A
Increase (Decrease)	26.5%	7.7%	N/A	N/A
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 175	$ 134	$ 329	$ 162
Other	574	878	856	415
Total	$ 747	$1,025	$1,213	$ 512
Ratio to:				
Room Sales	7.2%	10.7%	7.9%	5.6%
Total Sales — 1985	3.6	4.9	4.0	2.6
Total Sales — 1984	3.9	4.3	4.4	2.4
Increase (Decrease)	(7.7)%	14.0%	(9.1)%	8.3%
Energy				
Cost Per Available Room	$1,126	$1,398	$1,752	$ 810
Ratio to:				
Room Sales	9.5%	16.4%	10.4%	8.0%
Total Sales — 1985	4.4	7.7	4.7	3.6
Total Sales — 1984	5.4	8.0	5.4	3.3
Increase (Decrease)	(18.5)%	(3.8)%	(13.0)%	9.1%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 353	$ 326	$ 574	$ 283
Other	727	823	909	574
Total	$1,049	$1,370	$1,542	$ 806
Ratio to:				
Room Sales	9.7%	16.2%	9.1%	7.8%
Total Sales — 1985	4.3	7.2	4.8	3.9
Total Sales — 1984	5.3	6.2	4.8	5.2
Increase (Decrease)	(18.9)%	16.1%	—	(25)%

*All figures are medians and do not necessarily add to totals shown.
N/A — Not available.

Exhibit II-14
Energy Costs Per Occupied Room Per Day*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Fuel	$ .72	$ .62	$ .89	$ .62
Electricity	3.35	5.45	5.50	2.13
Water	.78	.70	.81	.80
Steam	.38	.31	1.63	.46
Credit for Sale of Energy	.35	.47	.33	.35
Net Energy Cost— 1985	$4.30	$6.63	$6.98	$3.17
Net Energy Cost— 1984	$5.04	$8.18	$5.99	$3.44
Increase (Decrease)	(14.7)%	(18.9)%	16.5%	(7.8)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-15
Method of Payment for Hotel Services*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Cash	26.9%	27.6%	25.9%	26.9%
Credit Card	37.1	30.8	38.2	39.1
All Other Credit	36.0	41.6	35.9	34.0

*Based on arithmetic mean.

Exhibit II-16
Credit Card Commission
Annual Cost Per Occupied Room*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Annual Cost Per Occupied Room	$201	$115	$213	$311
Ratio to Total Sales	0.6%	0.3%	0.6%	0.9%

*All figures are medians.

Exhibit II-17
Credit Card Sales By Type of Card
Asia and Australasia

	Total Region	Asia	Pacific Basin Far East	Australia
American Express	48.8%	58.5%	58.2%	42.0%
VISA	13.4	13.9	17.2	11.9
MasterCard	10.5	7.1	6.4	13.1
Diner's Club	15.1	13.4	11.1	17.1
Other	12.2	7.1	7.1	15.9

Exhibit II-18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Amount Per Room				
Rent	$2,024	$ 418	**	$2,702
Property Taxes	253	140	251	283
Insurance on Buildings & Contents	75	58	123	93
Interest Expense	505	622	93	889
Depreciation & Amortization	757	1,208	967	624
Total Fixed Charges	$2,835	$1,952	$1,581	$3,026
Ratio to Total Sales—1985	13.3%	15.4%	5.1%	13.7%
Ratio to Total Sales—1984	10.0	8.7	5.5	14.2
Increase (Decrease)	33.0%	79.3%	(7.3)%	(3.5)%

*All figures are medians and do not necessarily add to totals shown.
**Not available.

Region II

Currency Conversion Tables

1985 vs. 1984 Percentage of Change

Asia and Australasia

	1985 Factor [$US/(x)]	1984 Factor [$US/(x)]	Percentage of Change
Subregion 1—Asia			
India	0.08195	0.08031	2.0%
Nepal	0.05453	0.05556	(1.9%)
Pakistan	0.06273	0.06510	(3.6%)
South Korea	*	*	*
Sri Lanka	0.03676	0.03805	(3.3%)
Subregion 2—Far East			
Hong Kong	0.13000	0.12821	1.4%
Japan	0.00428	0.00398	7.5%
Malaysia	0.40382	0.41237	(2.1%)
Singapore	0.45701	0.45914	(.4%)
Thailand	0.03698	0.03683	.4%
Subregion 3—Pacific Basin			
Australia	0.70117	0.82780	(15.3%)
Brunei	*	*	*
Fiji	0.87123	0.87490	(4.2%)
French Polynesia	*	0.10425	*
Guam	1.00000	1.00000	0%
Hawaiian Islands	1.00000	1.00000	0%
Indonesia	0.00090	0.00093	(3.2%)
New Zealand	0.50148	0.47760	5%
Philippines	0.05379	0.05061	6.3%
Vanuatu	0.00962	*	*

Source: *International Financial Statistics.*
*Reported in U.S. Dollars. Conversion factor not available.

REGION III: NORTH AMERICA

Profile of contributors

The geographic subregions are Canada, the United States and the Caribbean Islands. Exhibit III-1 provides information of the typical contributor for the region, which should be examined carefully. Highlights of major operating results are outlined in Exhibit III-2.

Exhibit III-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency
North America

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600
Occupancy	65%–70%
Average Rate	$45–$60 (U.S.)
Sales Volume	$2–6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1985

Exhibit III-2
Highlights*
North America

- Total revenue decreased 12.5 percent on a per room basis.
- Room occupancy decreased 1.6 percent to 67.0 percent compared with 68.1 in 1984.
- The average daily rate per occupied room was $50.85 compared with $56.88 in 1984.
- Income before income taxes was 44.1 percent higher than 1984 on a per room basis.

*Based on medians.

For the fourth time in the last five years room occupancies declined from the previous year for North American properties. Occupancy rates dropped 1.6 percent from 1984, to a level of 67 percent. Average daily rate for the region fell slightly from 1984 to $50.85 per occupied room. The reader should note that the median average rate increased in both Canada and the Caribbean Islands, while falling for the U.S. The decline in rate for U.S. hotels is attributable in part to a change in sample structure rather than actual declining room rates.

A regional analysis of the source and distribution of the hotel industry dollar is illustrated in Chart 6. Little change occurred on the revenue side from 1984, with room sales providing the bulk of the revenue, followed by food sales. On the expenditure side, employee payroll and related expenses was by far the largest category; however, there was a noticeable drop in this component from last year.

Property taxes and insurance comprised a significantly larger share of expenses than in previous years, particularly for U.S. hotels.

Regional and subregional market data is presented in Exhibit III-3. A sharp contrast can be seen when comparing the Caribbean subregion with either Canada or U.S. subregion. Caribbean hotels rely almost entirely on foreign tourists, who book reservations through travel and tour operators. On the other hand, both Cana-

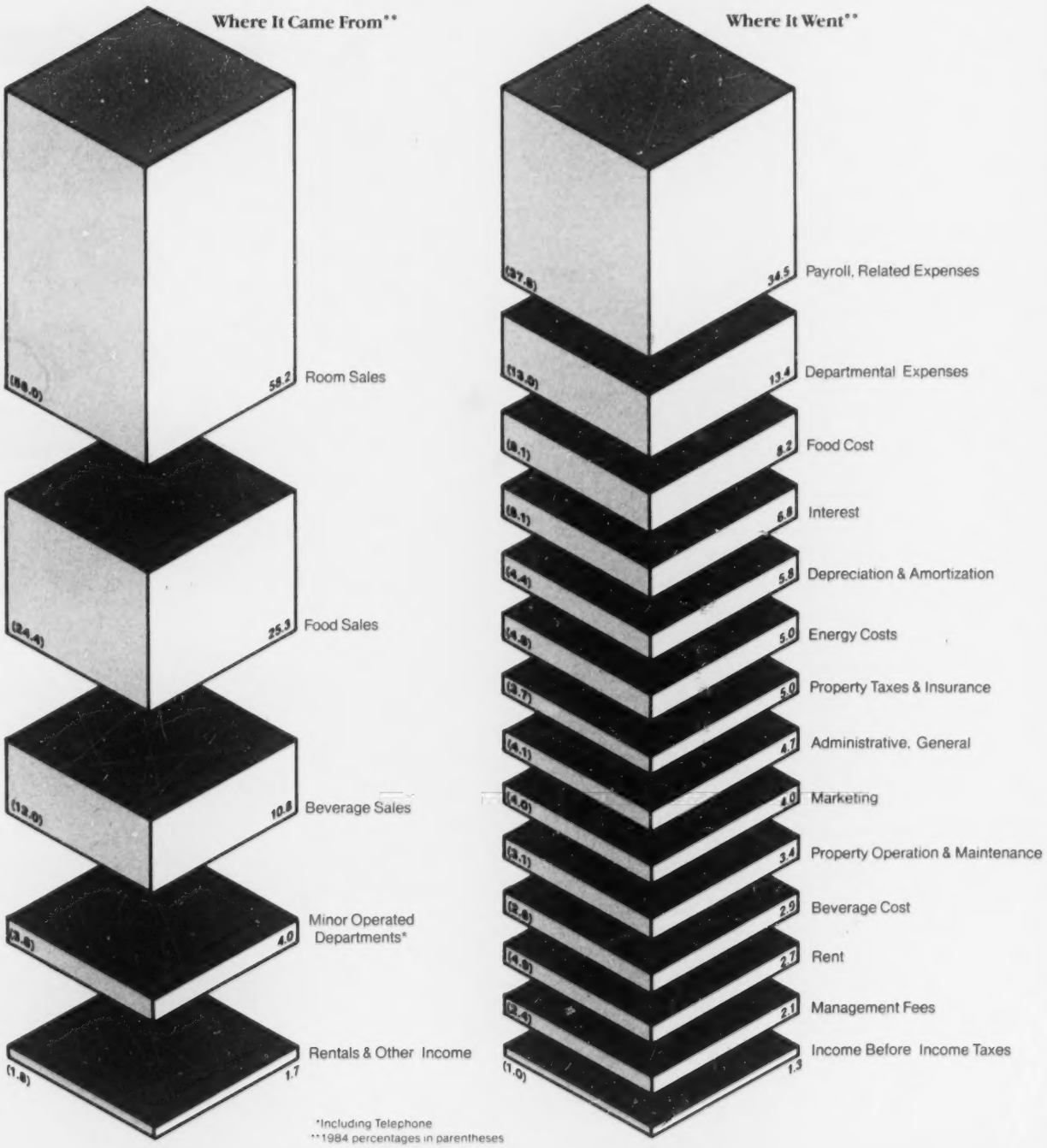
Exhibit III-3
Market Data*
North America

	Total Region	Canada	United States	Caribbean
Source of Business				
Domestic	76.9%	77.7%	83.8%	15.4%
Foreign	23.1	22.3	10.2	84.6
Percentage of Repeat Business	45.2	52.4	43.9	25.7
Composition of Market				
Government Officials	8.7	10.2	.4	2.9
Business Travelers	34.9	27.7	44.7	13.3
Tourists (individual)	23.0	21.5	23.0	33.4
Group	8.0	11.5	1.1	43.8
Conference Participants	16.0	18.0	15.8	2.9
Other	9.4	11.1	8.1	3.7
Percentage of Advance Reservations	75.3	76.2	71.7	88.5
Composition of Advance Reservations				
Direct	32.4	32.7	36.2	14.7
Reservation Systems	26.1	27.8	26.6	17.2
Travel Agents & Tour Operators	27.9	27.8	21.5	54.5
Other	13.6	11.7	15.7	13.6
Ratio of Travel Agent Commissions to Room Sales	1.8%	1.4%	1.5%	6.9%

*Arithmetic mean.

Chart 6

North America
Percentage Distribution of Revenue and Expenses


Where It Came From**
(58.0) 58.2 Room Sales
(24.4) 25.3 Food Sales
(12.0) 10.8 Beverage Sales
(3.8) 4.0 Minor Operated Departments*
(1.8) 1.7 Rentals & Other Income
Where It Went**
(37.8) 34.5 Payroll, Related Expenses
(13.0) 13.4 Departmental Expenses
(8.1) 8.2 Food Cost
(6.1) 6.8 Interest
(4.4) 5.8 Depreciation & Amortization
(4.8) 5.0 Energy Costs
(3.7) 5.0 Property Taxes & Insurance
(4.1) 4.7 Administrative, General
(4.0) 4.0 Marketing
(3.1) 3.4 Property Operation & Maintenance
(2.8) 2.9 Beverage Cost
(4.9) 2.7 Rent
(2.4) 2.1 Management Fees
(1.0) 1.3 Income Before Income Taxes

*Including Telephone
**1984 percentages in parentheses

dian and U.S. properties indicate that approximately 80 percent of guests are domestic travelers, and the largest market segment is the business traveler.

The nationality breakdown of guests is presented in Exhibit III-4. Americans were the dominant source of business both within the U.S. and in the Caribbean, while Canadians were the most frequent guests in their own country.

Exhibit III-4
Nationality of Guests—1985*
All Hotels—North America

	Rank		Total Region	Canada	United States	Caribbean
	1985	1984				
American	1	1	54.9%	38.0%	76.3%	53.9%
Canadian	2	2	29.4	52.4	4.9	10.5
British	3	4	2.1	1.5	1.4	8.7
Japanese	4	3	1.7	1.3	2.4	0.4
French	5	5	1.6	0.9	1.4	5.7
German	6	6	1.4	1.0	1.5	3.2
Other European	7	7	1.4	1.0	0.7	5.6
South American	8	12	0.8	0.2	0.9	4.0
Australasian	9	11	0.5	0.6	0.4	0.1
Italian	10	8	0.4	0.4	0.1	1.5
Mexico	11	8	0.4	0.2	0.7	**
Other Asian	12	15	0.4	0.3	0.6	**
Scandinavian	13	14	0.4	0.3	0.4	0.1
Central American	14	13	0.3	0.1	0.4	0.5
Other African	15	10	0.2	0.1	**	1.5
Middle Eastern	16	17	0.2	0.1	0.3	0.2
North African	17	15	**	**	**	**

*Arithmetic mean.
**Less than 0.05 percent.

Performance measurements

Comparisons of total sales and income for properties surveyed in North America are presented in Exhibit III-5. Median total sales per available room rose for Canadian properties, but fell for U.S. and Caribbean hotels. As previously stated, the composition of U.S. properties changed somewhat in 1985 compared with previous years in order to reflect the market more accurately, and this had an impact on room rate and total sales figures.

Occupancy and average rate

Room occupancies for the region fell 1.6 percent to 67 percent in 1985. Canada was the only subregion indicating an increased room occupancy; while Caribbean room occupancies fell sharply. Canadian properties had the highest 1985 median occupancy rates among the three subregions, 67.8 percent. Average rate for both the Canadian and Caribbean subregions rose, while falling for responding U.S. hotels (Exhibit III-6).

Occupancy rates for 1984 and 1985 are illustrated in Chart 7 for the subregions in this section of the report.

Exhibit III-5
Comparison of Sales and Profitability*
North America

	Total Region		Canada		United States		Caribbean	
	1985	1984	1985	1984	1985	1984	1985	1984
Amounts Per Available Room								
Total Sales	$21,077	$24,108	$21,128	$20,559	$20,386	$29,817	$22,472	$29,566
Income Before Fixed Charges	4,377	4,945	4,563	4,545	4,722	6,210	2,757	5,284
Net Income** or (Loss)	932	291	1,729	466	(56)	(73)	2,145	2,106
Ratio of Income Before Fixed Charges								
Room Sales	39.4%	36.6%	38.6%	41.3%	44.9%	33.5%	22.6%	35.2%
Total Sales	22.9	20.5	27.2	22.5	29.3	18.7	15.2	21.3
Number of Times Average Rate was Earned	103	94	104	98	103	90	96	100
Increase (Decrease)	9.6%		6.1%		14.4%		(4.0)%	

*All figures are medians.
**Before income tax.

Exhibit III-6
Occupancy, Double Occupancy, Room Rates*
North America

	Total Region		Canada		United** States		Caribbean	
	1985	1984	1985	1984	1985	1984	1985	1984
Annual Room Occupancy	67.0%	68.1%	67.8%	67.1%	65.6%	68.5%	54.0%	71.1%
Number of Guests Per Room	1.49	1.42	1.50	1.42	1.34	1.40	1.91	1.91
Average Daily Rate								
Per Room (U.S. Dollars)	$50.85	$56.88	$46.72	$43.74	$54.29	$74.01	$58.77	$57.14
Per Guest (U.S. Dollars)	35.40	34.00	31.75	32.69	45.25	52.19	34.57	28.79

*All figures are medians.
**Change in sample structure between years.

Chart 7
Region III: North America
Occupancy Rates
1985 vs. 1984

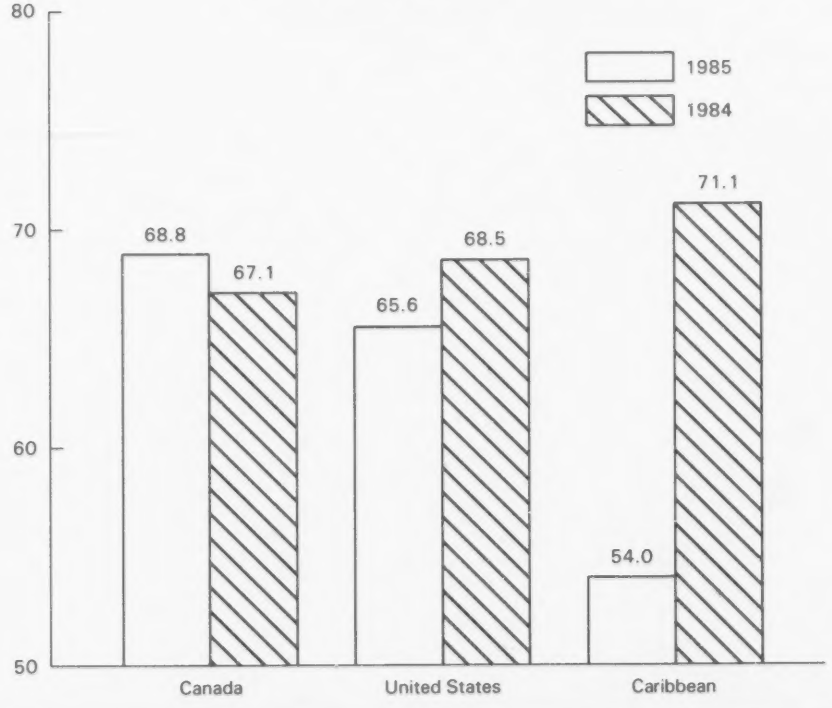


Exhibit III-7
Percentage of Hotels Utilizing Various Technologies*
North America

	Total Region	Canada	United States	Caribbean
Computerized Reservation System	65.9%	57.4%	79.6%	45.5%
Computerized Guest Accounting	51.2	55.7	49.1	36.4
Computerized Accounting System (General Ledger)	65.6	78.7	50.9	63.6
Computerized Energy Management System	13.6	11.5	17.0	9.1
Automatic Checkout Machines	6.5	6.7	5.7	9.1
Electronic Card Key System	4.9	3.3	7.7	0
Direct Dialing for International Telephone Calls	58.4	62.3	58.5	36.4
Lease Cost Routing for Guest Telephone Calls	43.3	34.6	59.3	9.1
Point of Sales Terminals for Food and Beverage Outlets	56.0	72.1	41.5	36.4
Fire Detectors (Heat or Smoke)	95.1	96.7	98.9	54.6
Microcomputers Available for Guest Use	7.8	6.6	10.5	0
In-Room Movies (Pay Per View)	39.8	58.3	28.1	0

*Based on hotels supplying data.

Exhibit III-8
Percentage of Hotels Offering Various Guest Services*
North America

	Total Region	Canada	United States	Caribbean
Airport Transportation	48.4%	53.3%	53.7%	0%
Audio-Visual Equipment	81.9	90.2	70.7	66.7
Auto Rental Services	55.6	62.3	39.6	91.7
Barber/Beauty Salon	33.6	39.3	20.8	63.6
Concierge Services	46.8	60.7	32.1	41.7
Free Parking	73.2	62.3	79.6	100.0
Health Club Facilities	50.0	60.7	41.5	33.3
Multilingual Staff	63.5	70.5	52.8	75.0
Personal Bathroom Amenities	87.4	86.9	88.9	83.3
Pool (Indoor)	45.4	68.4	26.4	11.1
Pool (Outdoor)	57.6	40.4	64.8	100.0
24-Hour Room Service	25.4	31.2	18.9	25.0

*Based on hotels supplying data.

Use of technology and guest services

Exhibit III-7 shows the percentage of hotels using various technologies. More than half of the hotels in the region use computerized reservation systems, guest accounting and general ledger accounting systems. U.S. properties use computerized energy management systems more often than hotels in the other two subregions.

Exhibit III-8 presents the percentage of hotels offering different types of services to their guests. The exhibit is also helpful in understanding which types of hotels participated in this year's report. It is interesting to note that U.S. properties are less likely to offer concierge services or a multilingual staff than properties in any other subregion analyzed in this region or the other four regions presented in this report.

Analysis of sales

Room sales provided the largest source of revenue for all three subregions, with American properties indicating the highest proportion at 63.6 percent. All three subregions indicated about one-third of their revenue was derived from food and beverage sales combined (Exhibit III-9).

Summary

The remaining exhibits provide information on ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by department type and reported in medians. It is important to note that columns of median numbers cannot be totaled when using the indices. Each line item should be analyzed separately.

Exhibit III-9
Composition of Sales*
North America

	Total Region	Canada	United States	Caribbean
Rooms	60.0%	56.0%	63.6%	62.0%
Food	23.5	24.9	22.5	21.2
Beverage	10.8	13.2	8.7	9.6
Telephone	2.5	2.2	2.7	2.8
Minor Operated Departments	1.7	2.2	1.3	0.9
Rentals & Other Income	1.5	1.5	1.2	3.5
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit III-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*
North America

	Total Region	Canada	United States	Caribbean
Telephone				
Amount Per Available Room				
Sales	$470	$459	$472	$527
Cost of Sales				
Cost of Calls	313	327	295	339
Equipment Rental	173	213	92	178
Total	476	522	390	464
Payroll & Related Expenses	158	152	178	129
All Other Expenses	9	4	20	5
Total Cost & Expenses	576	658	479	542
Net Departmental Income or (Loss)	$(96)	$(177)	$(11)	$(132)
Ratio to Total Sales				
Sales	2.3%	2.3%	2.4%	2.4%
Cost of Sales	2.3	2.7	1.9	2.5
Payroll & Related Expenses	0.7	0.7	0.7	0.5
Minor Operated Departments				
Amount Per Available Room				
Sales	$352	$379	$210	$137
Cost of Sales	89	121	84	**
Payroll & Related Expenses	178	181	210	**
Other Expenses	57	39	83	**
Total Costs & Expenses	270	292	266	**
Net Departmental Income	$49	$151	$18	$8
Ratio to Total Sales				
Sales	1.2%	2.3%	0.7%	0.7%
Cost of Sales	0.4	0.7	0.4	0.3
Payroll & Related Expenses	0.8	0.8	0.9	0.3
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$84	$99	$54	$165
Concessions	50	32	61	64
Commissions	22	19	27	16
Other	124	122	102	502
Total Rentals & Other Income	$255	$284	$212	$ 654
Ratio to Total Sales	1.1%	1.3%	1.0%	3.0%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit III-11
Food and Beverage Statistics*
North America

	Total Region	Canada	United States	Caribbean
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$2,984	$2,981	$2,707	$3,715
Room Service	440	387	448	473
Banquet	1,576	1,536	1,971	468
Bar/Lounge	208	330	83	287
Total	$5,174	$5,608	$5,085	$4,705
Ratio to Total Sales				
Dining Room	60.8%	59.3%	57.9%	87.5%
Room Service	7.3	7.4	7.1	5.9
Banquet	32.9	29.5	37.0	6.2
Bar/Lounge	3.5	5.1	1.2	4.3
Amount Per Seat				
Dining Room	$4,288	$4,095	$4,264	$4,904
Banquet	655	554	851	329
Bar/Lounge	389	394	292	690
Total	$1,660	$1,204	$2,273	$2,455
Average Check				
Dining Room	$ 7.68	$ 7.65	$ 7.36	$10.14
Room Service	6.09	5.06	7.76	4.31
Banquet	10.97	8.67	13.37	11.39
Total	$8.53	$7.36	$9.30	$10.73
Covers Served Per Seat				
Dining Room	562	528	647	343
Banquet	59	61	57	53

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-11 (continued)
Food and Beverage Statistics*
North America

	Total Region	Canada	United States	Caribbean
Room Service Sales				
Per Occupied Room				
Food	$ 1.67	$ 1.50	$ 1.76	$ 2.00
Beverage	.51	.42	.56	.57
Total	$2.06	$1.95	$2.28	$2.71
Per Guest				
Food	$ 1.23	$ 1.19	$ 1.68	$ .82
Beverage	.38	.38	.46	.31
Total	$1.58	$1.57	$1.88	$1.10
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 635	$ 527	$ 696	$ 672
Room Service	115	105	115	120
Banquet	521	561	510	205
Bar/Lounge	1,162	1,435	931	1,131
Total	$2,477	$3,065	$2,036	$2,013
Ratio to Total Beverage Sales				
Dining Room	25.5%	20.4%	41.9%	34.3%
Room Service	4.5	4.9	4.2	4.5
Banquet	19.8	21.5	21.9	6.2
Bar/Lounge	57.1	54.7	63.9	58.5
Ratio to Food Sales				
Dining Room	21.3%	20.1%	24.8%	15.8%
Room Service	25.2	28.9	20.6	24.7
Banquet	30.6	36.4	22.6	52.5
Total (Including Bar/Lounge)	43.9	53.6	39.8	36.2
Amount Per Seat				
Dining Room	$ 707	$ 777	$ 837	$ 390
Banquet	207	209	204	79
Bar/Lounge	2,748	2,685	2,729	2,975
Total	$803	$837	$775	$939

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-12
Employment Statistics*
North America

	Total Region	Canada	United States	Caribbean
Employment Statistics				
Sales Per Employee				
Rooms	$54,387	$52,531	$56,818	$56,932
Food & Beverage	25,295	24,666	25,718	18,828
Telephone	44,747	42,124	58,084	41,903
Minor Departments	16,916	15,929	35,864	11,091
Total Sales Per Employee	$29,894	$27,801	$31,015	$35,383
Productivity Index				
1985	2.88	2.70	2.77	3.21
1984	2.67	2.72	2.62	3.15
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	20.6	21.5	20.0	24.1
Food & Beverage	29.4	30.6	23.4	47.4
Telephone	1.5	1.5	1.4	1.5
Minor Departments	2.1	2.1	1.6	2.6
Administrative & General	4.4	4.4	3.9	10.0
Marketing	1.5	1.5	1.7	0.7
Convention	5.4	8.4	3.3	**
Property Operation & Maintenance	3.0	3.1	2.8	8.7
Personnel	0.7	0.7	0.6	0.7
House Laundry	2.2	2.2	2.0	3.7
Other	2.0	1.2	2.2	2.6
Total	63.8	70.6	54.7	90.6

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit III-13
Analysis of Undistributed Operating Expenses*
North America

	Total Region	Canada	United States	Caribbean
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$ 989	$ 960	$ 993	$1,187
Other	1,025	873	1,093	1,306
Total	$2,008	$1,874	$2,020	$2,644
Ratio to:				
Room Sales	16.9%	16.7%	16.8%	19.9%
Total Sales — 1985	9.6	9.3	10.0	11.5
Total Sales — 1984	8.6	8.0	9.1	8.2
Increase (Decrease)	11.6%	16.3%	9.9%	40.2%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 306	$ 254	$ 432	$ 132
Other	906	787	939	1,267
Total	1,151	944	1,265	1,427
Ratio to:				
Room Sales	9.6%	9.4%	9.9%	10.7%
Total Sales — 1985	5.4	5.0	5.7	5.8
Total Sales — 1984	5.2	4.7	6.3	5.4
Increase (Decrease)	3.8%	6.4%	(9.5)%	7.4%
Energy Costs				
Cost Per Available Room	$1,033	$ 831	$1,214	$1,735
Ratio to:				
Room Sales	8.8%	7.4%	10.3%	15.3%
Total Sales — 1985	5.2	4.1	6.4	7.9
Total Sales — 1984	4.4	3.9	4.9	6.4
Increase (Decrease)	18.2%	5%	30.6%	23.4%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 468	$ 462	$ 450	$ 796
Other	613	625	537	1,018
Total	$1,078	$1,084	$975	$1,963
Ratio to:				
Room Sales	9.1%	9.5%	8.4%	14.1%
Total Sales — 1985	5.4	5.2	5.4	7.7
Total Sales — 1984	5.4	5.2	5.5	8.1
Increase (Decrease)	—	—	(1.8)%	(4.9)%

*All figures are medians and do not necessarily add to totals shown.
—No change.

Exhibit III-14
Energy Costs Per Occupied Room Per Day*
North America

	Total Region	Canada	United States	Caribbean
Fuel	$1.06	$1.08	$1.02	$ 1.67
Electricity	2.71	1.81	3.74	7.62
Water	.47	.31	.51	2.36
Steam	1.10	1.97	1.10	.36
Credit for Sale of Energy	.23	.31	.20	.91
Net Energy Cost — 1985	$4.58	$3.42	$5.48	$ 9.12
Net Energy Cost — 1984	$4.87	$3.42	$6.63	$7.10
Increase (Decrease)	(6.0)%	—	(17.3)%	2.8%

*All figures are medians and do not necessarily add to totals shown.
— No change.

Exhibit III-15
Method of Payment for Hotel Services*
North America

	Total Region	Canada	United States	Caribbean
Cash	28.8%	30.1%	29.7%	22.0%
Credit Card	49.6	49.7	53.7	25.2
All Other Credit	21.6	20.2	16.6	52.8

*Based on arithmetic mean.

Exhibit III-16
Credit Card Commission
Annual Cost Per Occupied Room*
North America

	Total Region	Canada	United States	Caribbean
Annual Cost Per Occupied Room	$290	$216	$419	$950
Ratio to Total Sales	0.8%	0.6%	0.9%	3.9%

*All figures are medians.

Exhibit III-17
Credit Card Sales by Type of Card
North America

	Total Region	Canada	United States	Caribbean
American Express	48.8%	40.9%	54.0%	61.7%
VISA	29.3	35.8	24.4	20.6
Master Card	14.8	17.1	13.7	9.4
Diner's Club	4.3	2.1	5.9	7.3
Other	2.8	4.1	2.0	1.0

Exhibit III-18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
North America

	Total Region	Canada	United States	Caribbean
Amount Per Room				
Rent	$ 411	$ 336	$ 425	$1,127
Property Taxes	888	1,025	510	241
Insurance on Buildings & Contents	100	62	159	76
Interest Expense	1,368	1,047	2,051	327
Depreciation & Amortization	1,519	1,160	1,833	761
Total Fixed Charges	$3,521	$3,167	$4,289	$2,145
Ratio to Total Sales—1985	17.3%	15.7%	21.2%	10.8%
Ratio to Total Sales—1984	18.6	17.3	22.7	8.4
Increase (Decrease)	(9.0)%	(9.2)%	(6.6)%	28.6%

*All figures are medians and do not necessarily add to totals shown.

Region III
Currency Conversion Tables
1985 vs. 1984 Percentage of Change
North America

	1985 Factor [$US/(x)]	1984 Factor [$US/(x)]	Percentage of Change
Subregion 1—Canada			
Canada	0.73118	0.75677	(3.4)%
Subregion 2—United States			
United States	1.00000	1.00000	0%
Subregion 3—Caribbean			
Bahamas	1.00000	1.00000	0%
Barbados	0.49719	0.49719	0%
Bermuda	1.00000	1.00000	0%
Jamaica	0.16528	0.20284	(18.5%)
Netherland Antilles	0.55556	0.55556	0%
Puerto Rico	1.00000	1.00000	0%
Trinidad & Tobago	0.40509	0.41667	(2.8%
British Virgin Islands	1.32810	1.15650	14.8%
U.S. Virgin Islands	1.00000	1.00000	0%

Source: *International Financial Statistics.*

REGION IV: EUROPE

Profile of contributors

Presented in this section of the questionnaire is a statistical analysis of the European contributors to this study. The geographic subregions within this region are Continental Europe, Scandinavia and the United Kingdom. The typical contributor profile is outlined in Exhibit IV-1, and should be examined carefully. Operating result highlights are provided in Exhibit IV-2.

Room occupancies for the entire region showed a 0.8 percent decline compared with 1984. Total revenue per room and average daily rate per occupied room showed strong increases. (The reader should note that nearly all European currencies increased compared with the U.S. dollar, and these fluctuations should be taken into account.) Currency exchange rates are provided in the last table of this section.

The source and distribution of the hotel industry dollar on a regional level is presented in Chart 8. Room revenue provided more than half of all revenue for European hotels, followed by food sales. Almost no change occurred on the revenue side when compared with 1984. On the expenditure side, income before income taxes showed a rather sharp decline, as employee payroll and departmental expenses required more hotel revenue.

Regional and subregional market data are presented in Exhibit IV-3. Hotel guests in Scandinavian hotels were primarily from domestic sources, while in both Continental Europe and the United Kingdom the majority of hotel guests originated from foreign sources. Business travelers were the largest market segment for all three subregions; however, tourists and tour groups contributed a significant portion to total hotel guests, especially in the United Kingdom. European hotel guest nationalities are listed in Exhibit IV-4.

Exhibit IV-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency
Europe

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	Between 150–299 rooms
Occupancy	60%–69%
Average Rate	$35–$50 (U.S.)
Sales Volume	$4 million to $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1985

Exhibit IV-2
Highlights*
Europe

- Total revenue increased 20.1 percent on a per room basis.
- Room occupancy increased 0.8 percent in 1985.
- The average daily rate per occupied room was $40.18, an increase of 18.0 percent.
- Income before income taxes rose 8.7 percent on a per room basis.

*Based on medians.

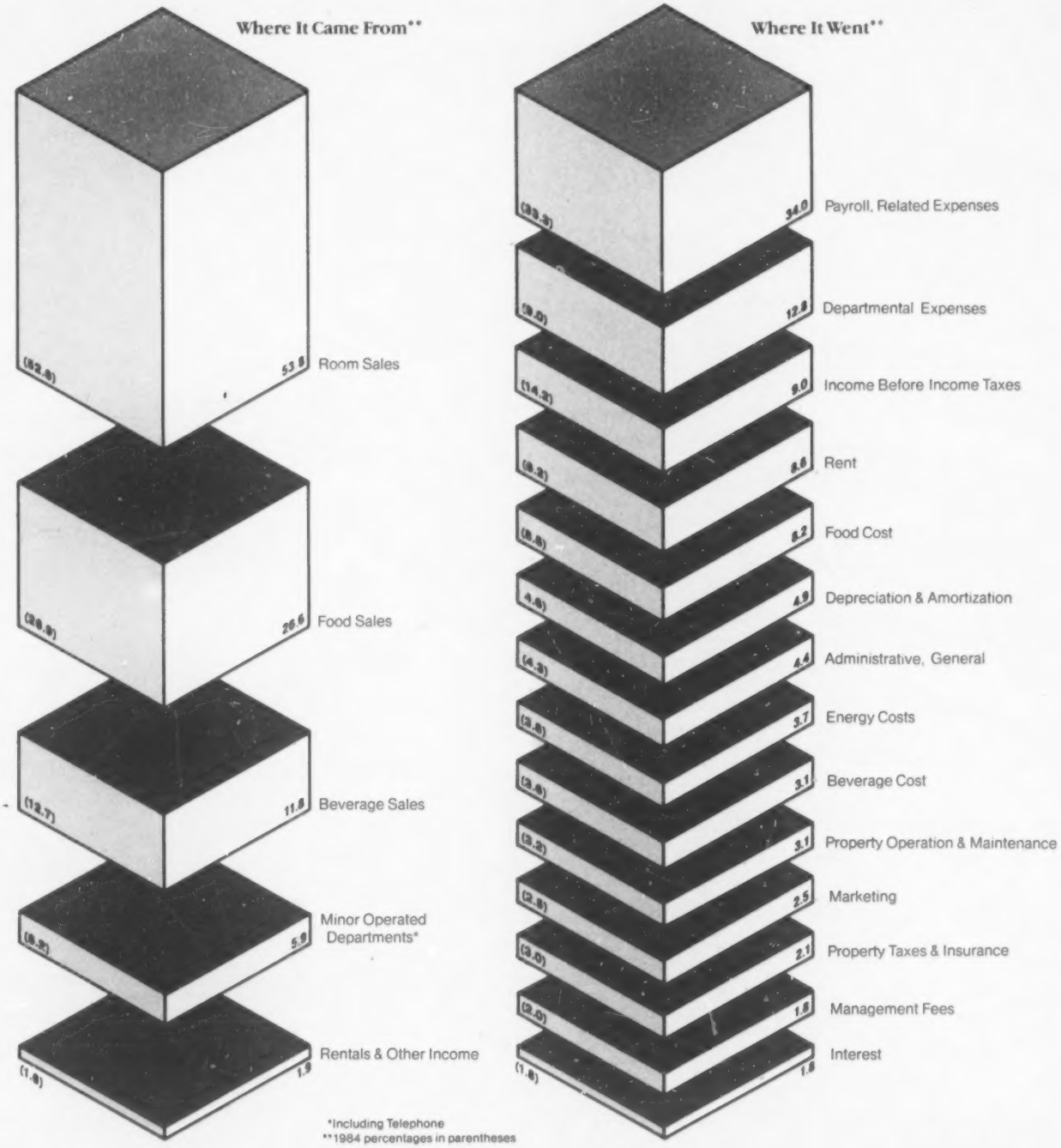
Exhibit IV-3
Market Data*
Europe

	Total Region	Continental Europe	Scandanavia	United Kingdom
Source of Business				
Domestic	42.1%	32.7%	71.5%	48.5%
Foreign	57.9	67.3	28.5	51.5
Percentage of Repeat Business	34.9	35.7	33.2	36.4
Composition of Market				
Government Officials	3.4	2.5	10.2	1.1
Businessmen	39.4	37.0	42.5	42.4
Tourists	20.3	22.6	10.7	22.5
Tour Groups	15.7	14.5	15.2	19.4
Conference Participants	12.1	12.2	18.8	7.9
Other	9.1	11.2	2.6	6.7
Percentage of Advance Reservations	90.7	90.4	93.4	89.2
Composition of Advance Reservations				
Direct	41.6	40.1	54.7	36.4
Reservation Systems	19.7	19.7	15.1	21.4
Travel Agents & Tour Operators	27.8	27.8	26.3	30.0
Other	10.9	12.4	3.9	12.2
Ratio of Travel Agent Commissions to Room Sales	2.3%	2.1%	1.4%	2.7%

*Arithmetic mean.

Chart 8

Europe
Percentage Distribution of Revenue and Expenses



*Including Telephone
**1984 percentages in parentheses

Exhibit IV-4
Nationality of Guests—1985*
All Hotels—Europe

	Rank		Total Region	Continental Europe	Scandanavia	United Kingdom
	1985	1984				
American	1	3	21.2%	23.0%	6.2%	28.2%
Scandinavian	2	4	16.6	3.9	78.5	2.6
British	3	1	16.5	8.8	2.6	45.5
German	4	2	14.6	22.9	3.4	2.7
Other European	5	5	7.9	10.8	3.3	4.5
French	6	6	5.3	8.2	1.1	1.4
Italian	7	9	3.1	4.6	0.6	1.2
Japanese	8	7	2.9	3.9	1.0	1.8
Middle Eastern	9	8	2.7	3.5	0.1	2.8
Canadian	10	10	2.3	2.3	0.5	3.7
Other Asian	11	11	1.8	2.2	0.4	2.2
Other African	12	12	1.5	1.5	2.1	0.7
Australasian	13	13	1.1	1.2	**	1.4
South American	14	14	0.9	1.2	0.1	0.4
North African	15	15	0.7	0.8	**	0.6
Central American	16	16	0.6	0.8	**	0.2
Mexican	17	17	0.3	0.4	0.1	0.1

*Arithmetic mean.
**Less than 0.05 percent.

Performance measurements

Total sales and income comparisons for properties surveyed in Europe are presented in Exhibit IV-5. All three subregions had increases in median total sales per available room, with United Kingdom properties showing the most significant increase. Properties in Continental Europe and the United Kingdom subregions had increases in income before fixed charges, although currency fluctuations should be considered when analyzing these figures.

Occupancy and average rate

Room occupancies for the region rose from 66.6 percent in 1984 to 67.1 percent in 1985. The United Kingdom indicated the largest increase in occupancy rates among the subregions, while Continental Europe showed the highest rates overall. Average daily rates per occupied room rose in all three regions as did the amount

Exhibit IV-5
Comparison of Sales and Profitability*—Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1985	1984	1985	1984	1985	1984	1985	1984
Amounts Per Available Room								
Total Sales	$20,460	$17,037	$20,478	$18,999	$20,460	$19,343	$20,875	$15,913
Income Before Fixed Charges	4,784	4,719	5,020	4,057	3,754	5,313	6,010	4,540
Net Income** or (Loss)	$ 2,841	$ 2,564	$ 2,305	$ 909	$ 2,806	$ 1,728	$ 3,956	$ 2,794
Ratio of Income Before Fixed Charges								
Room Sales	55.4%	54.6%	56.7%	41.7%	54.3%	55.5%	63.5%	64.1%
Total Sales	23.5	26.3	23.4	22.5	20.8	25.0	29.5	28.4
Number of Times Average Rate Was Earned	125	133	119	110	99	134	161	150
Increase (Decrease)	(6.0)%		8.2%		(26.1)%		7.3%	

*All figures are medians.
**Before income tax.

Exhibit IV-6
Occupancy, Double Occupancy, Room Rates*—Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1985	1984	1985	1984	1985	1984	1985	1984
Annual Room Occupancy	67.1%	66.6%	68.6%	69.4%	62.9%	66.6%	64.6%	63.0%
Number of Guests Per Room	1.34	1.32	1.37	1.37	1.28	1.28	1.32	1.30
Average Daily Rate								
Per Room (U.S. Dollars)	$40.18	$34.04	$47.07	$39.17	$40.56	$36.44	$37.90	$29.66
Per Guest (U.S. Dollars)	30.49	26.56	35.73	30.55	35.21	27.79	27.68	21.81

*All figures are medians.

received per guest. Details are provided in Exhibit IV-6.

Chart 9 provides an illustrated look at occupancy rates for the subregions during the past two years.

Use of technology and guest services

Exhibit IV-7 presents the percentage of hotels that utilize different technologies. United Kingdom properties use computerized systems (reservation, guest accounting, general ledger and energy management) more than those in the other two subregions. Less than half of the hotels surveyed have instituted least cost routing telephone systems.

Exhibit IV-8 presents the percentage of hotels offering different types of guest services.

Exhibit IV-8
Percentage of Hotels Offering Various Guest Services* Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Airport Transportation	38.0%	35.0%	46.2%	38.6%
Audio-Visual Equipment	86.5	81.7	86.8	96.5
Auto Rental Services	77.5	87.7	59.0	68.4
Barber/Beauty Salon	51.4	65.3	21.1	42.1
Concierge Services	84.3	92.6	71.8	75.0
Free Parking	47.4	43.0	42.1	60.7
Health Club Facilities	53.0	59.7	74.4	24.6
Multilingual Staff	91.2	97.5	100.0	71.4
Personal Bathroom Amenities	92.7	94.3	79.5	98.3
Pool (Indoor)	37.7	44.4	42.1	21.1
Pool (Outdoor)	16.9	27.4	8.1	1.9
24-Hour Room Service	62.2	63.1	26.3	84.2

*Based on hotels supplying data.

Exhibit IV-7
Percentage of Hotels Utilizing Various Technologies* Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Computerized Reservation System	60.2%	60.0%	52.6%	65.5%
Computerized Guest Accounting	68.2	67.8	57.9	75.9
Computerized Accounting System (General Ledger)	79.6	81.7	65.8	84.5
Computerized Energy Management System	16.0	16.8	10.5	17.9
Automatic Checkout Machines	26.2	19.5	65.8	13.8
Electronic Card Key System	16.2	15.8	15.8	17.2
Direct Dialing for International Telephone Calls	93.6	95.9	86.8	93.1
Lease Cost Routing for Guest Telephone Calls	43.0	50.0	28.6	29.4
Point of Sales Terminals for Food and Beverage Outlets	44.1	43.1	32.4	53.5
Fire Detectors (Heat or Smoke)	90.4	90.1	84.6	94.8
Microcomputers Available for Guest Use	7.4	5.8	10.5	8.6
In-Room Movies (Pay Per View)	60.4	52.9	87.2	57.9

*Based on hotels supplying data.

Analysis of sales

Room sales were the largest source of revenue for all three subregions, although food and beverage sales provided a much larger portion of total income in United Kingdom hotels than in the other regions (Exhibit IV-9).

Summary

The remaining exhibits provide information on ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by department type and reported in medians. It is important to note that columns of median numbers cannot be totaled using the indices. Each line item should be analyzed separately.

Exhibit IV-9
Composition of Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms	51.0%	55.8%	53.9%	45.9%
Food	28.6	25.6	25.4	32.5
Beverage	14.2	10.3	15.0	17.7
Telephone	3.2	4.6	3.1	1.7
Minor Operated Departments	1.5	2.1	1.6	0.9
Rentals & Other Income	1.5	1.6	1.0	1.3
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Chart 9
Region IV: Europe Occupancy Rates
1985 vs. 1984

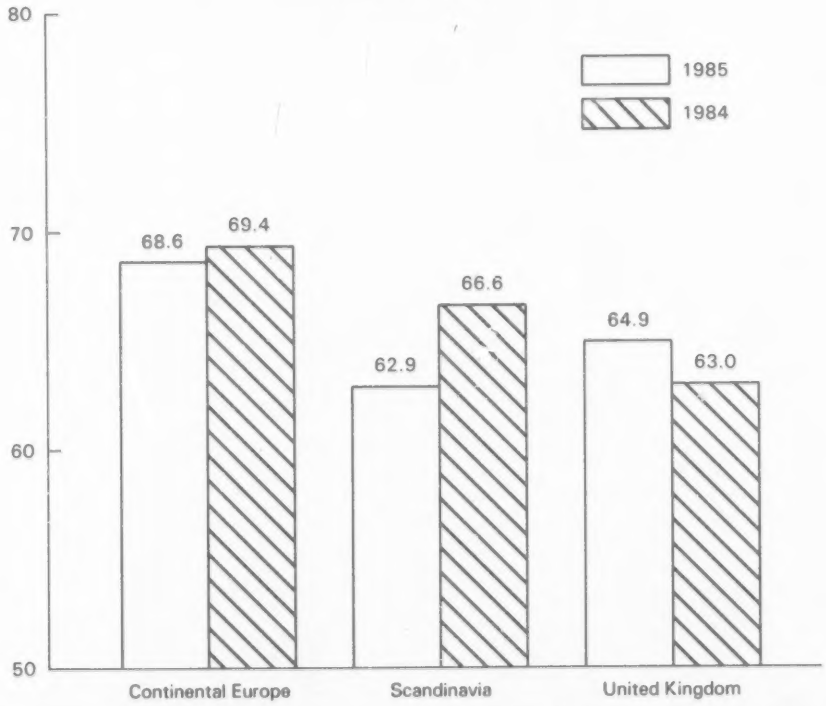


Exhibit IV-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Telephone				
Amount Per Available Room				
Sales	$670	$842	$517	$448
Cost of Sales				
Cost of Calls	407	496	259	293
Equipment Rental	69	45	82	104
Total	455	557	320	375
Payroll & Related Expenses	166	144	229	126
All Other Expenses	8	8	15	26
Total Cost & Expenses	$542	$659	$341	$428
Net Departmental Income or (Loss)	$165	$197	$212	$ 23
Ratio to Total Sales				
Sales	3.5%	4.3%	2.9%	2.1%
Cost of Sales	2.3	2.8	1.7	1.8
Payroll & Related Expenses	0.6	0.6	0.8	0.5
Minor Operated Departments				
Amount Per Available Room				
Sales	$278	$324	$222	$262
Cost of Sales	137	125	102	169
Payroll & Related Expenses	144	115	244	206
Other Expenses	20	16	29	93
Total Costs & Expenses	$215	$210	$204	$188
Net Departmental Income	$ 67	$ 93	$ 29	$ 43
Ratio to Total Sales				
Sales	1.3%	1.5%	1.0%	1.2%
Cost of Sales	0.7	0.6	0.5	0.8
Payroll & Related Expenses	0.5	0.5	1.3	0.6
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$103	$ 93	$104	$122
Concessions	85	71	**	101
Commissions	28	23	7	70
Other	128	161	85	112
Total Rentals & Other Income	$232	$240	$136	$187
Ratio to Total Sales	1.1%	1.2%	0.7%	0.9%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit IV-11
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$3,766	$3,229	$4,210	$4,064
Room Service	594	628	210	476
Banquet	1,382	1,405	1,386	1,269
Bar/Lounge	127	122	150	125
Total	$5,629	$5,074	$4,852	$6,343
Ratio to Total Food Sales				
Dining Room	64.8%	59.6%	93.3%	70.0%
Room Service	10.7	11.7	3.2	8.0
Banquet	24.4	25.2	26.4	19.1
Bar/Lounge	2.1%	1.9%	2.7%	2.3%
Amount Per Seat				
Dining Room	$4,398	$4,086	$3,672	$6,226
Banquet	835	747	999	961
Bar/Lounge	292	280	272	809
Total	$2,717	$2,005	$2,437	$2,389
Average Check				
Dining Room	$ 8.87	$ 8.42	**	$ 8.90
Room Service	5.83	5.75	**	5.43
Banquet	11.69	10.38	**	11.95
Total	$10.66	$ 8.60	**	$10.12
Covers Served Per Seat				
Dining Room	425	502	**	446
Banquet	62	67	**	79

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit IV-11 (continued)
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Room Service Sales				
Per Occupied Room				
Food	$ 2.20	$ 2.31	$ .83	$ 1.80
Beverage	.48	.58	.22	.27
Total	$ 2.44	$ 2.99	$ .98	$ 1.12
Per Guest				
Food	$ 1.68	$ 1 86	$ .38	$ 1.07
Beverage	.37	.48	.17	.17
Total	$ 1.91	$ 2.27	$ .55	$ .47
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 804	$ 743	$2,312	$ 639
Room Service	122	144	55	71
Banquet	596	592	795	560
Bar/Lounge	1,103	889	1,689	1,409
Total	$2,701	$2,115	$4,338	$3,422
Ratio to Total Beverage Sales				
Dining Room	29.9%	30.2%	63.3%	25.2%
Room Service	5.1	6.7	1.4	2.2
Banquet	23.0	24.7	20.7	18.7
Bar/Lounge	38.0	33.4	38.2	51.2
Ratio to Food Sales				
Dining Room	23.1%	24.1%	61.3%	16.6%
Room Service	27.8	20.5	36.3	41.2
Banquet	46.6	45.4	57.5	48.2
Total (Including Bar/ Lounge)	47.1%	42.8%	71.3%	50.0%
Amount Per Seat				
Dining Room	$1,065	$ 952	$2,037	$1,445
Banquet	400	334	640	498
Bar/Lounge	2,775	2,441	3,893	3,448
Total	$1,391	$ 902	$1,657	$1,419

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-12
Employment Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Employment Statistics				
Sales Per Employee				
Rooms	$56,371	$58,861	$62,667	$43,464
Food & Beverage	27,433	21,783	41,557	24,134
Telephone	76,178	78,127	56,522	57,095
Minor Departments	30,875	30,191	23,288	30,632
Total Sales Per Employee	$35,149	$32,619	$42,476	$30,393
Productivity Index				
1985	3.13	2.83	2.81	3.47
1984	3.10	2.74	2.80	3.37
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	23.5	23.5	13.8	30.5
Food & Beverage	36.1	35.8	25.6	51.2
Telephone	1.6	1.4	1.8	2.3
Minor Departments	1.5	1.7	2.2	3.8
Administrative & General	7.1	7.0	2.5	9.9
Marketing	1.4	1.4	1.1	1.4
Convention	1.9	1.6	1.2	**
Property Operation & Maintenance	3.5	3.5	1.4	3.9
Personnel	1.0	1.0	**	1.1
House Laundry	3.1	3.0	**	2.3
Other	0.4	0.5	**	0.6
Total	75.8	76.3	44.6	97.3

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit IV-13
Analysis of Undistributed Operating Expenses*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,016	$1,036	$ 920	$ 945
Other	835	830	811	921
Total	$1,866	$1,861	$1,621	$1,911
Ratio to:				
Room Sales	17.9%	16.7%	17.1%	20.2%
Total Sales — 1985	9.0	9.1	8.2	9.0
Total Sales — 1984	8.8	8.6	7.6	9.1
Increase (Decrease)	2.3%	5.8%	7.9%	(1.1%)
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 241	$ 247	$ 283	$ 193
Other	565	636	626	**
Total	$ 630	$ 801	$ 713	$ 436
Ratio to:				
Room Sales	6.4%	6.6%	9.0%	5.2%
Total Sales — 1985	3.0	3.7	4.1	2.4
Total Sales — 1984	3.1	3.7	2.2	2.8
Increase (Decrease)	(3.2%)	—	86.4%	(14.3%)
Energy Costs				
Cost Per Available Room	$ 842	$ 935	$ 671	$ 780
Ratio to:				
Room Sales	8.5%	8.4%	6.3%	8.9%
Total Sales — 1985	4.1	4.5	3.5	3.8
Total Sales — 1984	4.0	4.6	3.7	3.9
Increase (Decrease)	2.5%	(2.2%)	(5.4%)	(2.6%)
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 393	$ 440	$ 324	$ 272
Other	569	601	382	526
Total	$ 838	$1,054	$ 480	$ 674
Ratio to:				
Room Sales	8.1%	9.2%	4.7%	7.0%
Total Sales — 1985	4.1	4.9	2.7	3.3
Total Sales — 1984	4.3	5.2	2.8	3.5
Increase (Decrease)	(4.7%)	(5.8%)	(3.6%)	(5.7%)

*All figures are medians and do not necessarily add to totals shown.
— No change.

Exhibit IV-14
Energy Costs Per Occupied Room Per Day*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Fuel	$1.11	$ 97	$1.55	$1.39
Electricity	1.91	2.03	1.19	1.83
Water	.50	.67	.29	.31
Steam	1.20	1.18	1.20	1.35
Credit for Sale of Energy	.20	.30	.06	.20
Net Energy Cost — 1985	$3.67	$3.98	$3.15	$3.41
Net Energy Cost — 1984	*$2.93	$3.58	$2.95	$2.72
Increase (Decrease)	25.2%	11.2%	6.8%	25.4%

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-15
Method of Payment for Hotel Services*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Cash	28.4%	31.4%	22.9%	24.3%
Credit Card	36.4	34.3	40.0	41.9
All Other Credit	35.2%	34.3%	37.5%	33.7%

*Based on arithmetic mean.

Exhibit IV-16
Credit Card Commission
Annual Cost Per Occupied Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Annual Cost Per Occupied Room	$187	$284	$277	$290
Ratio to Total Sales	0.9%	0.7%	0.9%	0.9%

*All figures are medians.

Exhibit IV-17
Credit Card Sales by Type of Card—Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
American Express	48.5%	56.7%	22.2%	50.7%
VISA	15.4	15.5	10.9	20.5
MasterCard	21.4	10.4	58.9	16.9
Diner's Club	12.0	14.6	5.0	10.1
Other	2.7	2.8	3.0	1.8

Exhibit IV-18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales* Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Amount Per Room				
Rent	$ 803	$1,582	$2,781	$ 247
Property Taxes	446	158	155	610
Insurance on Buildings & Contents	89	92	174	80
Interest Expense	237	211	221	631
Depreciation & Amortization	732	955	676	685
Total Fixed Charges	$2,084	$2,436	$2,976	$1,635
Ratio to Total Sales—1985	10.4%	16.3%	14.9%	8.0%
Ratio to Total Sales—1984	9.7	14.2	16.0	8.2
Increase (Decrease)	7.2%	14.8%	(6.4)%	(2.4)%

*All figures are medians and do not necessarily add to totals shown.

Region IV
Currency Conversion Tables
1985 vs. 1984 Percentage of Change
Europe

	1985 Factor [$US/(x)]	1984 Factor [$US/(x)]	Percentage of Change
Subregion 1—Continental Europe			
Austria	0.04973	0.04535	9.7%
Belgium	0.01713	0.01585	8.1%
France	0.11445	0.10425	9.8%
Germany	0.34943	0.31766	10.0%
Greece	0.00727	0.00778	(6.6%)
Italy	0.00053	0.00052	1.9%
Luxembourg	0.01729	0.01585	9.1%
Monaco	*	*	*
Netherlands	0.30969	0.28173	9.9%
Portugal	0.00600	0.00591	1.5%
Switzerland	0.42049	0.38685	8.7%
Subregion 2—Scandinavia			
Denmark	0.09680	0.08881	9.0%
Finland	0.16496	0.15314	7.7%
Iceland	0.02417	0.02466	(2.0%)
Norway	0.11876	0.11005	1.8%
Sweden	0.11852	0.11124	6.5%
Subregion 3—United Kingdom			
Ireland	1.08523	*	*
United Kingdom	1.32281	1.15650	14.8%

Source: *International Financial Statistics.*
*Reported in U.S. Dollars. Conversion factor not available.

REGION V: LATIN AMERICA

Profile of contributors

This section presents data for the Latin American region, which covers Mexico, Central America and South America. Due to insufficient response, subregional breakdowns were not possible. Therefore, discussion of operating and financial performance will focus on regional trends.

A profile of the typical Latin American respondent is presented in Exhibit V-1. The average contributor is a large, first-class hotel. Exhibit V-2 outlines operating performance highlights for 1985.

Latin American occupancy rates increased 9.5 percent during 1985, to a median of 67.9 percent. Average daily rate for the region rose slightly in 1985 to $46.34 compared with $46.05 in 1984.

The source and distribution of the Latin American hotel industry dollar is illustrated in Chart 10. Room revenue comprised nearly 60 percent of all hotel revenue, followed by food revenue with 20 percent. On the expenditure side, employee payroll and departmental expenses comprised slightly more than half of all hotel spending.

Illustrated in Exhibit V-3 is Latin American market data for the participating hotels. The majority of hotel guests came from domestic sources. Business travelers comprised the largest market segment representing nearly half of all hotel arrivals, while tourists accounted for another 29 percent of total guests. Individual guest nationality information is presented in Exhibit V-4.

Exhibit V-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Latin America

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600 rooms
Occupancy	Between 65% and 75%
Average Rate	$45.00 and over (U.S.)
Sales Volume	Over $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 50% and 74% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1985

Exhibit V-2
Highlights*
Latin America

- Total revenue per room nearly doubled.
- Room occupancy increased 9.5 percent to 67.9 percent compared with 62.0 percent in 1984.
- The average daily rate per occupied room was $46.34 compared with $46.05 in 1984.
- Income before income taxes stood at $2,143 on a per room basis.

*Based on medians.

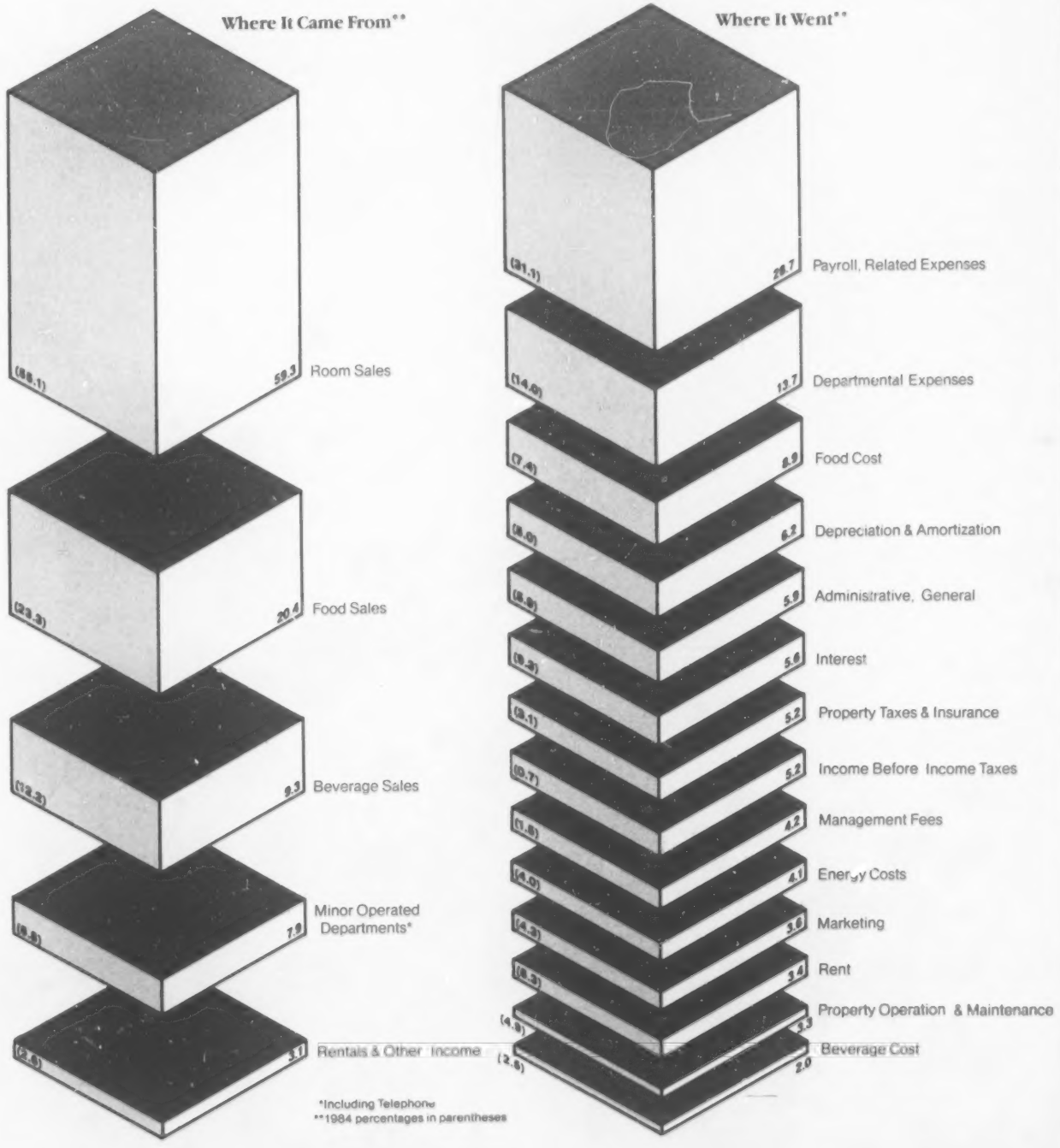
Exhibit V-3
Market Data*
Latin America

	Total Region
Source of Business	
Domestic	58.2%
Foreign**	41.8
Percentage of Repeat Business	46.3
Composition of Market	
Government Officials	8.8
Business Travelers	48.5
Tourists	29.0
Conference Participants	6.2
Other	7.5
Percentage of Advance Reservations	79.1
Composition of Advance Reservations	
Direct	30.6
Reservation Systems	34.3
Travel Agents & Tour Operators	23.4
Other	11.7
Ratio of Travel Agent Commissions to Room Sales	1.4%

*Arithmetic mean.
**Ratios exclude the U.S.

Chart 10

Latin America
Percentage Distribution of Revenue and Expenses


Where It Came From**
(58.1) 59.3 Room Sales
(23.3) 20.4 Food Sales
(12.3) 9.3 Beverage Sales
(8.5) 7.9 Minor Operated Departments*
(2.5) 3.1 Rentals & Other Income
Where It Went**
(31.1) 28.7 Payroll, Related Expenses
(14.0) 13.7 Departmental Expenses
(7.4) 8.9 Food Cost
(6.0) 6.2 Depreciation & Amortization
(6.9) 5.9 Administrative, General
(5.3) 5.6 Interest
(5.1) 5.2 Property Taxes & Insurance
(0.7) 5.2 Income Before Income Taxes
(1.5) 4.2 Management Fees
(4.0) 4.1 Energy Costs
(4.3) 3.6 Marketing
(3.3) 3.4 Rent
(4.9) 3.3 Property Operation & Maintenance
(2.5) 2.0 Beverage Cost
*Including Telephone
**1984 percentages in parentheses

Performance measurements

Exhibit V-5 lists figures for total sales, income before fixed charges and income to room and total sales ratios for Latin American properties. Comparison data also is provided for 1984. The reader again is advised to consider currency exchange rates when comparing information between years.

Occupancy and average rate

Latin American occupancy rates increased nearly 9.5 percent during 1985, by far the largest increase among the five regions examined. The occupancy rate for 1985 was 67.9 percent, compared with 62 percent and 59.6 percent for 1984 and 1983, respectively. The number of guests per room also increased slightly from 1984. Details are provided in Exhibit V-6.

Chart 11 illustrates occupancy rates during the past two years for the subregions.

Use of technology and guest services

Exhibit V-7 highlights the percentage of Latin American hotels using different technologies. Only 28.6 percent surveyed have computerized reservations systems, the lowest percentage of all regions examined. Only one hotel in 20 is equipped with a computerized energy management system, while slightly more than 27 percent have least cost routing telephone systems.

Exhibit V-8 presents the percentage of hotels offering different types of guest services.

Exhibit V-5
Comparison of Sales and Profitability*
Latin America

	Total Region	
	1985	1984
Amounts Per Available Room		
Total Sales	$19,555	$10,153
Income Before Fixed Charges	4,174	4,158
Net Income** (Loss)	2,143	333
Ratio of Income Before Fixed Charges		
Room Sales	44.5%	44.1%
Total Sales	23.7	22.3
Number of Times Average Rate Was Earned	114	106
Increase (Decrease)	7.5%	

*All figures are medians.
**Before income tax.

Exhibit V-6
Occupancy, Double Occupancy and Room Rates*

	Total Region	
	1985	1984
Annual Room Occupancy	67.9%	62.0%
Number of Guests Per Room	1.46	1.43
Average Daily Rate		
Per Room (U.S. Dollars)	$46.34	$46.05
Per Guest (U.S. Dollars)	29.23	32.16

*All figures are medians

Exhibit V-4
Nationality of Guests—1985*
All Hotels—Latin America

	Rank		Total Region
	1985	1984	
American	1	2	24.9%
South American	2	1	23.8
Mexican	3	4	14.4
Other European	4	5	6.9
Canadian	5	9	6.2
German	6	6	5.0
British	7	10	3.5
Italian	8	8	3.0
French	9	7	2.8
Japanese	10	11	2.5
Central American	11	3	2.3
Scandinavian	12	12	1.4
Other Asian	13	15	0.8
North African	14	16	0.6
Australasian	15	17	0.3
Other African	16	15	0.2
Middle Eastern	17	15	0.1

*Arithmetic mean.

Exhibit V-7
Percentage of Hotels Utilizing Various Technologies* Latin America

	Total Region
Computerized Reservation System	28.6%
Computerized Guest Accounting	21.6
Computerized Accounting System (General Ledger)	48.7
Computerized Energy Management System	5.4
Automatic Checkout Machines	10.8
Electronic Card Key System	0
Direct Dialing for International Telephone Calls	40.5
Lease Cost Routing for Guest Telephone Calls	27.8
Point of Sales Terminals for Food and Beverage Outlets	22.9
Fire Detectors (Heat or Smoke)	56.8
Microcomputers Available for Guest use	8.1
In-Room Movies (Pay Per View)	32.4

*Based on hotels supplying data.

Exhibit V-8
Percentage of Hotels Offering Various Guest Services* Latin America

	Total Region
Airport Transportation	51.4%
Audio-Visual Equipment	81.1
Auto Rental Services	86.5
Barber/Beauty Salon	73.0
Concierge Services	91.9
Free Parking	78.4
Health Club Facilities	54.1
Multilingual Staff	94.6
Personal Bathroom Amenities	46.0
Pool (Indoor)	27.3
Pool (Outdoor)	2.9
24-Hour Room Service	78.4

*Based on hotels supplying data.

Analysis of sales

Room sales provided more than half the revenue for hotels in this region, with food and beverage sales accounting for another one-third of all sales. This is consistent with other regions throughout the world. Exhibit V-9 outlines this data.

Summary

The remaining exhibits provide information on ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by department type and reported in medians. It is important to note that columns of median numbers cannot be totaled using the indices. Rather, each line item should be analyzed separately.

Exhibit V-9
Composition of Sales*
Latin America

	Total Region
Rooms	55.9%
Food	23.8
Beverage	10.3
Telephone	4.7
Minor Operated Departments	2.4
Rentals & Other Income	2.9
Total	100.0%

*Based on arithmetic mean.

Exhibit V-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*
Latin America

	Total Region
Telephone	
Amount Per Available Room	
Sales	$640
Cost of Sales	
Cost of Calls	419
Equipment Rental	20
Total	468
Payroll & Related Expenses	97
All Other Expenses	17
Total Cost & Expenses	$588
Net Departmental Income or (Loss)	$ 72
Ratio to Total Sales	
Sales	4.0%
Cost of Sales	2.7
Payroll & Related Expenses	0.4
Minor Operated Departments	
Amount Per Available Room	
Sales	$395
Cost of Sales	86
Payroll & Related Expenses	135
Other Expenses	72
Total Costs & Expenses	$267
Net Departmental Income	$141
Ratio to Total Sales	
Sales	2.4%
Cost of Sales	0.5
Payroll & Related Expenses	0.6
Rentals & Other Income	
Amount Per Available Room	
Space Rentals	$173
Concessions	29
Commissions	145
Other	216
Total Rentals & Other Income	$401
Ratio to Total Sales	1.9%

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-11
Food and Beverage Statistics*
Latin America

	Total Region
Food Sales—By Facility	
Amount Per Available Room	
Dining Room	$2,639
Room Service	389
Banquet	892
Bar/Lounge	56
Total	$4,140
Ratio to Total Sales	
Dining Room	63.5%
Room Service	9.1
Banquet	23.7
Bar/Lounge	1.4
Amount Per Seat	
Dining Room	$3,123
Banquet	381
Bar/Lounge	87
Total	$1,020
Average Check	
Dining Room	$ 5.18
Room Service	4.50
Banquet	6.61
Total	$ 5.19
Covers Served Per Seat	
Dining Room	223
Banquet	19

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-11 (continued)
Food and Beverage Statistics*
Latin America

	Total Region
Room Service Sales	
Per Occupied Room	
Food	$ 1.62
Beverage	.45
Total	$ 2.17
Per Guest	
Food	$ 1.77
Beverage	.36
Total	$ 2.37
Beverage Sales—By Facility	
Amount Per Available Room	
Dining Room	$ 776
Room Service	73
Banquet	366
Bar/Lounge	900
Total	$2,114
Ratio to Total Beverage Sales	
Dining Room	44.2%
Room Service	4.3
Banquet	19.8
Bar/Lounge	44.4
Ratio to Food Sales	
Dining Room	35.6%
Room Service	27.6
Banquet	37.5
Total (Including Bar/Lounge)	46.2%
Amount Per Seat	
Dining Room	$ 639
Banquet	139
Bar/Lounge	1,311
Total	$ 578

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-12
Employment Statistics*
Latin America

	Total Region
Employment Statistics	
Sales Per Employee	
Rooms	$33,308
Food & Beverage	16,706
Telephone	27,923
Minor Operated Departments	16,625
Total Sales Per Employee	$17,017
Productivity Index	
1985	3.08
1984	3.05
Number of Full-Time Equivalent Employees Per 100 Available Rooms	
Rooms	26.5
Food & Beverage	44.9
Telephone	2.7
Minor Operated Departments	3.2
Administrative & General	11.2
Marketing	2.0
Convention	2.1
Property Operation & Maintenance	8.5
Personnel	1.6
House Laundry	5.0
Other	5.4
Total	113.3

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-13
Analysis of Undistributed Operating Expenses* Latin America

	Total Region
Administrative & General	
Cost Per Available Room	
Payroll & Related Expenses	$ 944
Other	1,067
Total	$1,979
Ratio to:	
Room Sales	19.7%
Total Sales — 1985	11.2
Total Sales — 1984	12.3
Increase (Decrease)	(8.9)%
Marketing	
Cost Per Available Room	
Payroll & Related Expenses	$ 214
Other	751
Total	$ 948
Ratio to:	
Room Sales	9.6%
Total Sales — 1985	5.2
Total Sales — 1984	5.6
Increase (Decrease)	(7.1)%
Energy Costs	
Cost Per Available Room	$ 735
Ratio to:	
Room Sales	8.0%
Total Sales — 1985	4.1
Total Sales — 1984	4.1
Increase (Decrease)	0%
Property Operation & Maintenance	
Cost Per Available Room	
Payroll & Related Expenses	$ 463
Other	770
Total	$1,152
Ratio to:	
Room Sales	12.3%
Total Sales — 1985	6.5
Total Sales — 1984	6.6
Increase (Decrease)	(1.5)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-14
Energy Costs Per Occupied Room Per Day* Latin America

	Total Region
Fuel	$ .61
Electricity	2.12
Water	.47
Steam	.09
Credit for Sale of Energy	.11
Net Energy Cost — 1985	$3.31
Net Energy Cost — 1984	$3.65
Increase (Decrease)	(9.3)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-15
Method of Payment for Hotel Services* Latin America

	Total Region
Cash	35.4%
Credit Card	38.8
All Other Credit	25.8%

*Based on arithmetic mean.

Exhibit V-16
Credit Card Commission Annual Cost Per Occupied Room* Latin America

	Total Region
Annual Cost Per Occupied Room	$210
Ratio to Total Sales	0.7%

*All figures are medians.

Exhibit V-17
Credit Card Sales by Type of Card

	Total Region
American Express	43.4%
VISA	13.5
Master Card	8.8
Diner's Club	11.5
Other	23.0

Exhibit V-18
Fixed Charges — Median Amounts Per Room and Ratio to Total Sales* Latin America

	Total Region
Amount Per Room	
Rent	$ 158
Property Taxes	307
Insurance on Buildings & Contents	118
Interest Expense	375
Depreciation & Amortization	813
Total Fixed Charges	$2,211
Ratio to Total Sales — 1985	14.1%
Ratio to Total Sales — 1984	17.9%
Increase (Decrease)	(21.2)%

*All figures are medians and do not necessarily add to totals shown.

Region V

Currency Conversion Tables

1985 vs. 1984 Percentage of Change

Latin America

	1985 Factor [$US/(x)]	1984 Factor ($US/(x)]	Percentage of Change
Mexico	0.00395	0.00519	(23.9)%
Argentina	0.00198	0.00561	(64.7)%
Brazil	0.00017	0.00031	(45.2)%
Chile	0.00620	0.00780	(20.5)%
Colombia	0.00702	0.00878	(20.0)%
Ecuador	0.01452	0.01489	(2.5)%
Peru	0.00010	0.00018	(44.4)%
Venezuela	0.13333	0.13333	0%

Source: *International Financial Statistics.*

APPENDIX I: EXPLANATION OF TERMS AND BASES USED

The accounting information has been accumulated using the 7th revised edition of the *Uniform System of Accounts for Hotels*, approved by the American Hotel & Motel Association, as a basis. The following paragraphs define the terms used in this study.

Room Sales

This category includes revenue from guest accommodations rented on a part-day, full-day, or longer period basis. The figures are net of any sales or turnover taxes and service charges paid to employees.

Revenue from public rooms ordinarily used for food and beverage service is not included in room sales.

Food Sales

This category includes revenue derived from the sale of food in restaurants, through room service or at banquets. Sales do not include meals charged by hotel management staff.

Beverage Sales

This category includes revenue from the sale of wine, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks. Sales do not include beverages charged by hotel management staff.

Minor Operated Department Sales

This category includes revenue derived from telephone, laundry and valet services. It also includes income from casino operations, pool club memberships and other departments operated.

Other Income

This category includes profit on foreign exchange, concession income and other income such as commissions from auto rentals, garage, parking lots and salvage.

Store Rentals

This category includes all income from rental of stores and showcases.

Cost of Food Sales

This category includes the cost of food served to guests, together with transportation and delivery charges, at gross invoice price less trade discounts. The cost of employees' meals is charged to the appropriate department and does not constitute a part of the cost of food sold.

Cost of Beverage Sales

This category represents the cost of wines, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks and all other material served as beverages, or used in the preparation of mixed drinks, at gross invoice price less trade discounts, plus import duties, transportation and delivery charges. The cost of employees' beverages is charged to the appropriate department and does not constitute a part of the cost of beverages sold.

Cost of Minor Operated Department Sales

This category represents the cost of telephone, laundry and valet sales and any other minor operated department sales.

Rooms Payroll

This category includes salaries and wages of personnel of the rooms department (front office, doormen and porters).

Also included are the employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Food and Beverage Payroll

This category includes salaries and wages of personnel in the food and beverage department (purchasing, receiving, storage, preparation, service, dishwashing, cashiers, and control). Also included are all employee benefits, such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Minor Operated Department Payroll

This category includes salaries and wages of personnel in all minor operated departments, including telephone, guest laundry, valet, casino and pool. Also included are all employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions. House laundry and employee cafeteria payrolls are not included as they have been allocated to the various departments and are included in other expenses.

Other Expenses

The term "other expenses" can cause confusion. At first sight, it is a loose term—for example, the expression "wages and other expenses" could be interpreted as "wages and all additional expenses incurred in operating a facility." However, its meaning is precise and refers to direct departmental expenses incurred in the operation of a department or service (rooms department, sales office).

Rooms, Other Expenses

This category represents expenses other than rooms payrolls as defined above, such as rooms cleaning supplies, guest supplies, laundry, linen, reservation expenses, paper supplies and travel agents' commissions.

Food and Beverage, Other Expenses

This category includes items such as china and glassware, cleaning supplies, decorations, guest supplies, laundry, linen, music and entertainment, menus and beverage lists, silver and uniforms.

Minor Operated Departments, Other Expenses

This category includes items such as telephone equipment rental, laundry supplies, casino uniforms, casino entertainment and pool supplies.

Undistributed Operating Expenses

This classification is used for (1) administrative and general expense, (2) marketing expense, (3) energy costs, and (4) property operation and maintenance expense. Each of these can be considered as an individual entity. Some examples of the expenses included are:

- Administrative and general other expense includes cash overages or shortages, commissions on credit cards, collection charges, executive

office expense, general insurance, postal, legal expense, trade association dues, traveling expenses, accountants and consultants fees.

- Marketing other expense includes advertising in all media and applicable travel expenses and supplies.
- Energy costs include the cost of electrical power, fuel, steam and water.
- Property operation and maintenance includes the cost of repairing buildings, electrical and mechanical equipment and fixtures, floor coverings, furniture, grounds and landscaping plus the cost of electric bulbs, mechanical supplies and removal of waste matter.

Income Before Fixed Charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

There are thus three levels of profit in the study. The first level is departmental profit (rooms, food and beverage, minor operated); the second is gross income (the sum of departmental profits plus store rentals and other income); the third is income before fixed charges (gross income less undistributed operating expenses).

Room Statistics

The published number of rooms for rental in a hotel usually differs from the actual number of rooms available—only the rooms permanently available to the public are used in computing ratios.

The number of rooms available in a period (usually a year) is the number permanently available multiplied by the days in the period.

The number of rooms occupied is the sum for the period of rooms rented to guests daily.

The number of guests is the sum of the daily house counts for a period.

Rate of Occupancy

The rate of occupancy is derived from the room statistics above. The average annual room occupancy is the ratio of total occupied rooms to total available rooms.

Average double occupancy is represented by total number of guests divided by total number of rooms occupied. This result can be expressed either on a guests per room basis, or as a percentage. Thus.

$$\frac{\text{total number of guests}}{\text{total occupied rooms}} = \frac{75}{50} = 1.50$$

This can be expressed as a double occupancy of 50 percent, or as 1.5 guests per occupied room.

Average Rate

There are two quantities widely used to express rooms sales on a unit basis—average room rate and the average rate per guest.

The average room rate is defined as room sales divided by the total number of rooms occupied.

The average rate per guest is defined as room sales divided by the total number of guests.

Number of Times Average Room Rate Was Earned

This measurement of operating efficiency is calculated by dividing income before fixed charges (house profit) per available room by the average room rate.

Food and Beverage Department

The ratios in the restaurant department are based on total food and beverage sales. The single exception is cost of sales. Cost of food sold is expressed as a percentage of food sales. Similarly, the cost of beverages sold is expressed as a percentage of beverage sales.

Current Ratio

The current ratio is defined as current assets, divided by current liabilities. The current portion of long-term debt has been excluded from current liabilities.

Inventory Ratios

Inventory figures taken from the balance sheet have been directly related to operations.

Average inventory is the sum of opening and closing inventories divided by two.

The turnover ratios represent cost of sales divided by average inventory.

Accounts Receivable Ratio

Average accounts receivable is the sum of opening and closing accounts receivable divided by two.

The turnover ratio represents sales divided by average accounts receivable.

APPENDIX II: IMPACT OF CURRENCY FLUCTUATIONS

The dollar amounts reported in this study are 1985 U.S. dollars, converted using a 12-month average of exchange rates, obtained from the International Monetary Fund. The reader is cautioned that fluctuations in exchange rates can have significant impact on the U.S. dollar values presented in this report. The strength or weakness of the U.S. dollar against other currencies must be considered when analyzing the amounts in this report or comparing them to previous editions. An example of this problem during the years 1984 and 1983 is illustrated in the accompanying exhibit.

Comparing average room rates expressed in 1984 dollars, all three countries showed declining rates, including rather large declines in both the United Kingdom and Venezuela. However, if 1984 room rates are expressed in 1983 dollars, a noticeable difference occurs in the actual room rates, as well as in the percent change. Both Canada and Venezuela showed increased rates, while the United Kingdom indicates a negligible decrease.

During 1985, the value of the dollar rose sharply against some currencies, while declining compared with others. Readers should therefore exercise caution when using the U.S. dollar as a standard for comparing other currencies.

Average Daily Rate per Occupied Room

	Rates Expressed in 1984 U.S. Dollars			Rates Expressed in 1983 U.S. Dollars		
	1984	1983	Percent Change	1984	1983	Percent Change
Canada	$43.74	$43.81	(0.3)%	$46.45	$43.81	6.0 %
United Kingdom	29.66	37.35	(20.6)%	37.21	37.35	(0.4)%
Venezuela	45.90	77.47	(40.8)%	80.05	77.47	3.3 %

Figures in parentheses represent decreases.

Other publications relating to the lodging and leisure time industries are produced by Horwath & Horwath International (HHI) and individual member firms of HHI. Publications released by HHI can be obtained from the organization's headquarters in New York or any member firm. Publications produced by member firms are available directly from the HHI member firm that issues the publication. A directory of HHI member firms is on pages 106–108. A fee is charged for some of the listed publications and books.

HHI Publications

Worldwide Hotel Industry Digest
Trends in World Tourism (published in conjunction with the International Hotel Association)
Tourism Multipliers Explained (published in conjunction with the World Tourism Organization)
A Profile of Government Financial and Grant Aid to Tourism (published in conjunction with the World Tourism Organization)

Lodging Studies

Australia
Canada
Latin America and the Caribbean
France
Israel
Mexico
Netherlands
Paris
Sweden
United Kingdom
United States (Individual studies are available for California, Florida, Texas)
Venezuela
West Germany

Other Leisure Time Industries Publications

United Kingdom:

Guidelines on Tourism Investment (published in conjunction with the World Tourism Organization)
Holiday Surveys Examined: A Pilot Guide to National Holiday Surveys in Western Europe by Professor S. Medlik
Hotel and Tourism Development (Jonathan Bodlender)—Presentation to the International Hotel Association and the American Hotel and Motel Association
Books written by personnel of the U.K. member firm of Horwath & Horwath (U.K.) Ltd. and Stoy Hayward and Co.:
The Business of Hotels by Professor S. Medlik
Hotel Accounts and Their Audit by Lawrence S. Fenton and Norman A. Fowler

United States:

Outlook: U.S. Lodging
U.S. Lodging Industry
U.S. All Suite Lodging Industry
U.S. Economy/Limited-Service Lodging Industry
U.S. Resort Lodging Industry
National Trend of Business in the Lodging Industry (plus various regional Trends)
Financing the U.S. Lodging Industry: Players and Techniques of the 1980s
California Restaurant Operations
Colorado/Wyoming Restaurant Operations
Restaurant Operations Report (published in conjunction with the National Restaurant Association)
Financial Results & Reporting Trends in the Gaming Industry
Books written by personnel of the U.S. member firm of Laventhol & Horwath:
Hotel Accounting by Ernest B. Horwath, Louis Toth and John D. Lesure
Planning and Operating Motels and Motor Hotels by George Podd and John D. Lesure
Profitable Restaurant Management by Kenneth I. Solomon and Norman Katz

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WORLDWIDE HOTEL INDUSTRY

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FOREWORD

by Juan A. Seif
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Advances in transportation and communication technologies, along with increasing economic interdependence among nations, have fostered steady growth in international commerce and travel. While highlighting cultural differences in many instances, this internationalization has more often had the spontaneous effect of muting them. In recent years the trend toward multinational operations has extended to service industries, including the ownership and/or management of hotels.

The international expansion of hotel chains is evident in the roster of contributors to this year's edition of *Worldwide Hotel Industry*. Many of the hotels represented are parts of multinational, worldwide chains that have experienced enormous growth over the past 15 years. According to a study by *Hotels and Restaurants International*, between 1970 and 1985 the number of rooms affiliated with the top 20 international chains increased 149 percent (from 576,000 to 1.43 million).

Although U.S. chains dominate the international hotel scene, the level and scope of activity by hotel companies from other nations is steadily increasing. Many international firms now operate in the U.S., including Four Seasons (Canada), Meridien and Novotel (France) and Trusthouse Forte (Britain). Accor, a French service company that manages the Sofitel, Novotel, Mercure and Ibis chains, currently operates in 64 countries. Hotel marketing groups are likewise increasing their international membership. The largest of these is Best Western with approximately 245,600 rooms in 3,200 properties in 35 countries. With this global interaction in mind, this year's foreword examines the catalysts behind the recent boom in international hotel development and focuses on ways in which chains are transplanting their domestic hotel concept and business style to other nations.

The motivations behind the international expansion of hotel chains can be viewed from a number of perspectives. First and foremost is the need to increase the levels of growth and profits experienced by many chains. This "required" expansion is especially true of the hotel industry in the United States, which is maturing and nearing saturation in certain submarkets, making unit growth difficult.

Asian and Pacific countries and the Far East are attractive locations due to increasing levels of business travel and tourism. A number of developers equate Australia to a younger version of the United States with respect to travel development potential. In 1986 hotel construction in Australia was bolstered by the anticipation of increased tourism from the America's Cup sailing competition.

However, not all Asian and Pacific countries are a hotbed of activity; Singapore and Malaysia are already suffering from room glut, which has been compounded by the construction of many luxury properties over the past several years. The Philippines have had difficulty attracting prospects and investors as a result of political instability.

The Far East is an area of intense interest due to growth in business and tourist travel. Increased trade with the West has triggered a period of rapid hotel development in China, where the government hopes that high-quality hotel facilities will help to attract foreign visitors. Japan, a constant leader in hotel development, is attracting many additional investors with the opening of Tokyo Disneyland.

Several chains already have a foothold in the Asian and Pacific countries and the Far East, including Sheraton, Hyatt, Ramada, Meridien, Novotel, Sofitel, Nikko and Hilton International. Hilton Hotels Corporation exemplifies the anticipated growth potential of these areas; in 1985 it launched its subsidiary Conrad International Hotels Corporation with the opening of a 622-room hotel in Queensland, Australia, and an office has already been established in Hong Kong. Marriott also considers the Far East a near-term target.

Steady increases in international travel, tourism and trade have made the expansion of hotel chains to foreign countries sensible from a guest perspective as well. Hotels provide services, and chains are looking to follow their clients to international destinations. The expansion of U.S. chains at resort locations also demonstrate this concept. Inherent in this strategy is the chain's desire to develop and exploit brand loyalty; the theory is that domestic customers are more likely to lodge at a hotel with a familiar name. The existence of international reservation systems further encourages brand loyalty. It has been estimated that American guests generate 20 percent of the business at European hotels.

For large chains, international operations can also provide a hedge against recession by exploiting differences in business cycle timing. Economic incentives for foreign expansion are especially strong for the developers of luxury properties. The high cost of substantial risk associated with luxury development limits the number of feasible sites in any one country; therefore, luxury chains tend to be international.

Recognizing the value of tourism to their economies, many developing countries have wooed hotel companies by providing incentives for development. In some cases, governments are serving as intermediaries or even investors. Hotel firms view multinational operations as an image booster, thus seeming to enhance the chain's prestige and name recognition.

Development Strategies and Ownership Structures

The development strategy designed by a hotel chain will reflect its objectives in

pursuing international expansion. Site selection begins the expansion process. Chains primarily interested in following their business clients to international destinations or capitalizing on fast-growing metropolitan markets may focus solely on major cities. Others looking to maximize exposure may establish a presence in smaller towns as well as major business centers.

Chains desiring to accelerate, expand and minimize risk eschew hotel ownership because they recognize their relative unfamiliarity with the culture and politics of the countries in which they want to develop properties. Instead, they provide technical advice, pre-opening assistance, marketing support and management services while turning to host country investors for equity. This phenomenon is especially common among luxury chains, although sometimes they maintain equity and interest.

Franchising is also a popular arrangement for expansion into foreign markets. The independent entrepreneur knows the local market better than foreign corporations and thus makes effective use of a chain affiliation by exploiting the chain's reputation, image and reservation system while maintaining a local flavor for the property. Chains offer additional value to franchisees through prototype products, including conceptual designs, architectural plans, general specifications and detailed working drawings, minimizing development expense to the franchisee.

However, non-U.S. firms have been taking advantage of the strength of their currency against the U.S. dollar by purchasing hotels in the United States. This has been the strategy of chains held by the French firm, Accor. Japanese investors and hotel chains, Prince Hotels, Inc. and Nikko Hotels International, have also acquired several U.S. hotels.

Adapting a Chain Concept to a Foreign Market

Correctly assessing market demand and maintaining a flexible approach are key to translating a domestic concept to a foreign market. Without these two factors, the results of international expansion can be ineffective and damaging. Some foreign chains, for example, by developing luxury hotels in cities which could better support midscale or economy properties, have produced a room glut in some markets.

Chains must recognize the key elements of their *identity* to separate company standards from the *creative element* in hotel operations and design. For example, Quality Inns, the second-largest international chain after Holiday Inns, allows franchisees flexibility in adapting a hotel concept as long as they adhere to strict service standards. Because of different laws and customs, franchise agreements should be written by a local counsel and be subject to local laws. At times, management offices, staffed by local managers, are opened prior to recruiting franchisees in the host country.

High building costs, which are encouraging property conversions over new construction, are also fostering flexibility in the adaptation of chain concepts. Holiday Inns' involvement in the refurbishing of four historical structures in Europe is expected to help dispel the negative image, held by some Europeans, that the chain offers a standardized, modern product.

The market segment pursued by a hotel chain will also influence the translation of a concept abroad. Holiday Inns, which was initially a roadside hotel, has reoriented its focus toward the growing business traveler segment that comprises 65 percent of the chain's European clientele. Consequently, Holiday Inns in Europe generally are newer, of higher quality and more expensive than their American counterparts.

Market segmentation, i.e., the development of a variety of hotel products by one chain, is gaining in popularity worldwide. One curious result may be the development of a new system for evaluating hotel properties which could combine elements of the European star system, modified for product differences as defined by segments. The star system has been criticized for being inconsistent because it attempts to rate widely diverse properties using a single set of standards. Since products within segments are more narrowly defined, they can be compared more easily.

Hotel companies realize that the translation of segment concepts requires careful consideration of local tastes. For example, all European versions of Quality Inns' economy Comfort Inn have restaurants, unlike their U.S. counterparts. Consequently, when expanding products beyond national borders, foodservice requires close scrutiny. Some chains have set up food research divisions to help design international menus.

Guest expectations may also vary widely across countries. While hygiene, safety and service are common expectations for guests worldwide, the particulars may vary from country to country. European guests, for example, frequently expect additional service amenities over those typically supplied by U.S. hotels, such as 24-hour room service and gourmet food and beverage. Understanding these differences helps guide hotel planners toward the most profitable allocation of resources in designing physical facilities and their operations.

International hotel operators must consider human resources. Since the hotel industry is service oriented, the character of the product will be largely a function of the quality of employee performance. Some foreign chains have noticed a significant difference in the attitude toward hotel service jobs in Europe versus the United States. In Europe, hotel jobs are bestowed with a professional character through a formal apprenticeship system and a network of hotel schools which teach the necessary skills. In the U.S., hotel service jobs are frequently filled by unskilled labor and employees are less likely to view the jobs as permanent careers. The intercontinental chain has dealt with this difference through an extensive in-house training program in which European instructors teach American staff. This training is expected to lessen differences among hotel staffs.

In summary, the rapid growth in travel has broadened the scope of hotel markets. In some ways, a hotel, no matter where it is located, now competes for guests with hotels all over the world. Competitive pressures and economies of scale will continue to encourage the internationalization of hotel chains over the foreseeable future. Mega-chains, resulting from international expansion and mergers and acquisitions, will spread the segmentation concepts emerging in the U.S. and Europe around the globe and produce a gradual homogenization of the worldwide lodging industry. However, the success of international hotel development will continue to depend on the flexible adaptation of domestic concepts abroad, taking into

account the significant cultural, geographic and political differences among countries. For this and other financial reasons, franchising, rather than equity ownership, is likely to remain the preferred mechanism for chains operating abroad.

AVANT-PROPOS

Les progrès technologiques réalisés dans le domaine des transports et de la communication, ainsi que l'inter-dépendance croissante de l'économie des différentes nations, ont favorisé le développment régulier du commerce international et des voyages. Tout en révélant parfois les différences culturelles, cette internationalisation a le plus souvent comme effet spontané de les faire muter.

Au cours des années récentes, la tendance privilégiant la constitution d'opérations multinationales a également gagné les industries de services, incluant la propriété et/ou l'exploitation des unités hôtelières.

L'expansion internationale des hôtels apparaît de manière évidente à l'examen des participants à l'édition du *Worldwide Hotel Industry* de cette année. Une grande partie des hôtels représentés appartiennent à des chaînes multinationales présentes dans le monde entier, et qui ont connu un taux de croissance impressionnant au cours des quinze dernières années.

Selon une étude menée par *Hotels and Restaurants International*, le nombre des chambres affiliées aux vingt premières chaînes internationales a augmenté de 149% entre 1970 et 1985 (soit de 576,000 à 1.43 million).

Malgré une domination des chaînes hôtelières américaines sur la scène internationale, le niveau et le champ d'activité des groupes hôteliers des autres pays sont en augmentation constante.

Plusieurs groupes internationaux exploitent actuellement des hôtels aux Etats-Unis, parmi lesquels: Four Seasons (Canada), Méridien et Novotel (France), et Trusthouse Forte (Grande Bretagne). Accor, un groupe français qui gère les chaînes Sofitel, Novotel, Mercure et Ibis, est actuellement représenté dans 64 pays.

Les groupes de marketing hôteliers ont également augmenté leur audience internationale, le plus important étant Best Western qui totalise 245,600 chambres au sein de 3,200 unités dans 35 pays.

En gardant cette interaction globale à l'esprit, l'avant-propos de cette année examine les éléments catalyseurs du récent boom du développement hôtelier, et se concentre sur le manière adoptée par les chaînes pour transplanter les concepts hôteliers et les méthodes de gestion nationaux vers d'autres pays.

La motivation présente derrière l'expansion internationale des chaînes hôtelières peut être analysée sous divers aspects. Tout d'abord, et c'est l'élément primordial, vient le besoin d'accroître le taux de croissance et de profitabilité des chaînes. Cette croissance "obligée" s'applique particulièrement à l'industrie hôtelière américaine, qui évolue progressivement vers la maturité et dont la quasi saturation de certains sousmarchés rend la croissance difficile.

Les pays de l'Asie, du Pacifique et de l'Extrême-Orient offrent des localisations attractives, du fait de la croissance du volume des voyages d'affaires et touristiques. Plusieurs promoteurs voient en l'Australie une version rejeunie des Etats-Unis, en terme de développement potentiel des échanges. En 1986, la construction d'hôtels en Australie fut soutenue par les perspectives d'accroissement du tourisme résultant de l'organisation des régates de la Coupe de l'America.

Toutefois, les pays d'Asie et du Pacifique ne sont pas tous des terrains d'activité favorables. Singapour et la Malaisie souffrent déjà de sur-capacité. Celle-ci s'est aggravée au fur et à mesure des constructions d'unités de luxe au cours des dernières années. Les Philippines ont eu des difficultés à attirer les investisseurs, du fait de l'instabilité politique.

L'Extrême-Orient est une région suscitant l'intérêt du fait de la croissance des voyages d'affaires et touristiques. Le développement des échanges commerciaux avec l'Ouest a provoqué un développement rapide des hôtels en Chine, où le gouvernement compte sur les unités de luxe pour attirer les visiteurs étrangers.

Le Japon, un pays de pointe en terme de développement hôtelier, attire des investisseurs depuis l'ouverture du Disneyland de Tokyo.

Plusieurs chaînes ont déjà pris pied dans les pays d'Asie, du Pacifique et de l'Extrême-Orient. C'est le cas de Sheraton, Hyatt, Ramada, Méridien, Novotel, Sofitel, Nikko et Hilton International. Le cas de Hilton Hotels Corporation illustre les attentes en matière de croissance dans cette région. Sa filiale Conrad International Hotels Corporation fut lancée en 1985 avec l'ouverture d'une unité hôtelière de 622 chambres à Queensland en Australie, et a ouvert depuis une representation à Hong Kong. Marriott considère également l'Extrême-Orient comme étant un marché-cible à court terme.

Le croissance des échanges touristiques et commerciaux a également justifié, du point de vue de la clientèle, l'expansion des chaînes hôtelières. Les hôtels fournissent des prestations de services et les chaînes cherchent à suivre leurs clients dans leurs déplacements internationaux. L'expansion des chaînes U.S., dans le domaine des complexes touristiques, illustre également ce concept. Le désir des chaînes de développer et d'exploiter la fidélisation à une marque est inhérent à cette stratégie, l'hypothèse étant que les clients nationaux devraient a priori loger dans des hôtels dont le label leur est familier. La mise en place de réseaux internationaux de réservation tend à encourager cette fidélisation. La contribution de la clientèle américaine au marché hôtelier européen a été estimée à 20%.

Les unités internationales d'une chaîne peuvent également contribuer à atténuer les effets d'une récession en exploitant les différences entre les divers cycles économiques. Les incitations économiques favorisant l'expansion internationale sont d'autant plus fortes pour les promoteurs d'unités de luxe, que le coût d'insertion sur les marchés et le risque qui y est associé limitent le nombre de sites appropriés dans chaque pays. Les chaînes exploitant des unités de luxe tendent donc à être internationales.

Prenant conscience du poids du tourisme dans leur économie, plusieurs pays en voie de développement ont attiré les firmes hôtelières en adoptant des mesures incitatives. Dans certains cas, les gouvernements ont agi comme intermédiaires ou même comme investisseurs.

Les firmes hôtelières considèrent que les unités multinationales permettent une meilleure projection de leur image et semblent améliorer le prestige et l'effet de marque des chaînes.

Stratégies de développement et montage des opérations

La stratégie de développement conçue par une chaîne hôtelière reflètera ses objectifs lors de son expansion internationale. La procédure d'expansion commence avec la sélection des sites. Les chaînes dont les priorités sont, soit de suivre leur clientèle d'affaires dans leurs déplacements internationaux, soit de capitaliser sur les marchés métropolitains en croissance rapide, peuvent se concentrer essentiellement sur les villes principales.

Les autres, dont le but est de parvenir à maximiser la diffusion de leur marque, peuvent s'implanter dans des villes secondaires, aussi bien que dans les principaux centres d'affaires.

Les chaînes qui veulent augmenter leur rythme de croissance, en minimisant les risques, évitent la propriété d'unités hôtelières, dans la mesure où elles reconnaissent leur relative ignorance de la culture et des pratiques politiques en vigueur dans les pays où elles comptent s'implanter. De ce fait, elles fournissent plutôt des conseils techniques, une assistance au cours de la période de pré-ouverture, un support de commercialisation et une prestation de gestionnaires, tout en recherchant des investisseurs nationaux. Cette méthode est répandue parmi les chaînes exploitant des unités de luxe, qui néanmoins prennent parfois une participation sous forme de fonds propres.

La franchise est une méthode répandue d'expansion vers les marchés étrangers.

Les entrepreneurs indépendants connaissent mieux le marché local que les firmes étrangères, et utilisent ainsi efficacement leur affiliation à une chaîne dont ils exploitent la réputation, l'image et le système de réservation, tout en maintenant le côté typique de l'exploitation.

Les chaînes offrent une plus-value aux franchisés sous la forme de produits-types comprenant une définition des concepts, les plans architecturaux, les spécifications générales, les plans détaillés des aménagements, qui minimisent les coûts de promotion.

Toutefois, les firmes non-américaines ont profité de la force de leurs devises par rapport au Dollar pour acquérir des hôtels aux Etats-Unis. Cette stratégie a été appliquée par la chaîne française Accor, par des investisseurs Japonais, et par les chaînes Prince Hotels Inc. et Nikko Hotels International.

Adaptation des concepts définis par une chaîne aux marchés étrangers

L'évaluation correcte de la demande et l'adoption d'une approche flexible sont les éléments clés de la transposition d'un concept national vers un marché étranger. La sous-évaluation de ces deux facteurs rend inefficace et dommageable l'expansion internationale.

Certaines chaînes, en développant des unités de haut de gamme dans des villes où des unités de moyenne gamme ou de type économique étaient plus appropriées, ont provoqué une offre en chambres excédentaire sur certains marchés.

Les chaînes doivent définir les éléments fondamentaux composant leur "identité," afin de les isoler de la marge de créativité dont dispose les hôtels en termes de conception et d'exploitation. A titre d'exemple, Quality Inns, qui est la seconde chaîne au niveau mondial après Holidays Inns, accorde aux franchisés une certaine flexibilité lors de l'adaptation de leur concept à une unité hôtelière, mais exige une stricte conformité aux normes de service définies. Du fait de la diversité des règles légales et des coutumes, il est préférable que les accords de franchise soient rédigés par un conseiller local et qu'ils soient conformes à la réglementation du pays. Parfois, des représentations occupées par des gestionnaires locaux sont ouvertes dans les pays d'accueil avant le recrutement des franchisés.

La poussée des coûts de construction, ayant favorisé la conversion de bâtiments existants, a également contribué à accroître la flexibilité, lors de l'adaptation des concepts définis par les chaînes.

La rénovation par Holiday Inns de quatre bâtiments historiques en Europe devrait contribuer à dissiper l'image négative perçues par certains européens, d'une chaîne offrant un produit moderne et standardisé.

Le segment de marché visé par une chaîne d'hôtels influencera également la transposition d'un concept à l'étranger. Holiday Inns qui à l'origine implantait des hôtels le long des voies de communication, a réorienté son attention vers la clientèle d'affaires, un segment en croissance qui représente 65% de la clientèle européenne. De ce fait, les hôtels Holiday Inns en Europe sont généralement plus récents, de meilleure qualité et plus chers que les unités américaines.

La segmentation des marchés, ou le développement d'une gamme de produits hôteliers par une même chaîne, est une stratégie qui se répand dans le monde. Une des conséquences curieuses peut être le développement d'un nouveau système d'évaluation d'une unité hôtelière qui pourrait combiner les éléments du système européen de classement par étoile, modifiés pour refléter les différences de produits par segment. Le système de classement par étoile a été critiqué pour son inconsistance, dans la mesure où il tente de classifier en fonction d'une norme unique des produits largement diversifiés. Les produits d'un segment donné étant définis avec plus de précision, ils seraient plus facilement comparables.

Les firmes hôtelières se rendent compte que la transposition du concept de segment nécessite un examen approfondi des particularités locales. Par exemple, toutes les versions européennes de Comfort Inn, le segment économique de Quality Inns, ont des restaurants à l'inverse des unités américaines. De ce fait, lorsque les produits sont exportés, la restauration doit être particulièrement étudiée. Certaines chaînes ont mis en place une unité de recherche alimentaire pour élaborer des menus internationaux.

Les chaines internationales doivent prendre en compte les ressources humaines. Dans la mesure où l'hôtellerie est une industrie de services, les caractéristiques du produit varient en fonction de la qualité des prestations du personnel.

Certaines chaînes étrangères ont remarqué des différences de considération importantes vis-à-vis des emplois dans l'hôtellerie, entre l'Europe et les Etats-Unis.

En Europe, les emplois hôteliers bénéficient d'un statut professionnel conféré par un système d'apprentissage formalisé et par un réseau d'écoles hôtelières enseignant les bases essentielles des fonctions, alors qu'aux Etats-Unis, les emplois dans l'hôtellerie sont souvent occupés par du personnel non qualifié qui n'envisage pas d'en faire une carrière permanente.

La chaîne Intercontinental a abordé le problème en mettant en place un important programme interne de formation, où

des formateurs européens enseignent au personnel Américain.

En conclusion, la croissance rapide des échanges a élargi le champ des marchés hôteliers.

D'une certaine manière, un hôtel, quel que soit son emplacement, est en concurrence sur le même marché avec tous les autres hôtels au monde. Le poids de la concurrence et les économies d'échelle contribueront encore à l'internationalisation des chaînes hôtelières à terme. Les mega-chaînes, résultant de l'expansion internationale, des fusions et des acquisitions, devraient diffuser dans le monde le concept de segmentation qui apparaît aux Etats-Unis et en Europe pour parvenir à une homogénéité progressive de l'industrie hôtelière mondiale.

Toutefois, le succès du développement international devrait continuer à dépendre de la flexibilité lors de l'adaptation de concepts nationaux à l'étranger, en tenant compte des différences culturelles, géographiques et politiques existantes entres les divers pays.

Pour ces raisons, ainsi que pour des critères financiers, la franchise restera l'instrument privilégié des chaînes opérant à l'étranger, aux dépens de la propriété en propre.

VORWORT

Fortschritte im Transport- und Informationswesen zusammen mit der zunehmenden wirtschaftlichen Verflechtung zwischen den Ländern haben ein ständiges Wachstum im internationalen Handel und Reiseverkehr begünstigt. Während kulturelle Streitigkeiten in vielen Fällen hervorgehoben werden, hat diese Internationalisierung viel öfter den spontanen Effekt gehabt, diese zu dämpfen. In den vergangenen Jahren hat der Trend zur weltweiten Geschäftstätigkeit auch auf die Dienstleistungsbetriebe übergegriffen einschließlich des Besitzes und/oder des Betriebes von Hotels.

Die internationale Ausweitung der Hotelketten ist aus der Teilnehmerliste an der diesjährigen Ausgabe der 'Worldwide Hotel Industry Study' ersichtlich, Viele der vertretenen Hotels gehören multinationalen, weltweit tätigen Hotelketten an, die während der letzten 15 Jahre ein enormes Wachstum erfahren haben. Gemäß einer Untersuchung der Zeitschrift 'Hotels and Restaurants International' ist die Zahl der Zimmer, die den größten internationalen Ketten angeschlossen sind, zwischen 1970 and 1985 um 149% gestiegen (von 576.000 auf 1,43 Mio).

Obwohl der internationale Hotelmarkt von den amerikanischen Hotelgruppen beherrscht wird, ist ein kontinuierliches Ansteigen des Niveaus und des Wirkungsbereiches der Hotelgesellschaften aus anderen Ländern festzustellen. Viele internationale Unternehmen sind jetzt in den USA tätig—wie Four Seasons (Canada), Meridien und Novotel (Frankreich) und Trusthouse Forte (England). Accor, eine französische Dienstleistungsgesellschaft, welche die Hotelketten Sofitel, Novotel, Mercure und Ibis betreibt, ist gegenwärtig in 64 Ländern tätig. Hotel-Marketing-Gruppen vergrößern ebenfalls die Anzahl ihrer internationalen Mitglieder. Die größte von ihnen ist Best Western mit ca. 245.600 Zimmern in 3.200 Häusern in 35 Ländern.

Im Bewußtsein dieser globalen gegenseitigen Beeinflussung untersucht das diesjährige Vorwort die Hintergründe des kürzlichen Booms in der internationalen Hotelentwicklung und konzentriert sich auf die Art und Weise, in welcher die Hotelketten ihr heimisches Konzept auf andere Länder übertragen.

Die Hintergründe dieser weltweiten Ausdehnung der Hotelketten kann von verschiedenen Gesichtspunkten aus betrachtet werden. An erster Stelle steht die Notwendigkeit, das Ausmaß des Wachstums und der Gewinne, wie sie von vielen Hotelketten bereits erzielt werden, zu verbessern. Diese "notwendige" Ausdehnung trifft vor allem auf das Hotelgewerbe in den Vereinigten Staaten zu, deren Markt in gewissen Teilbereichen nahezu gesättigt ist.

Asien, die Pazifik-Länder und der Ferne Osten sind aufgrund ihres Wachstums im Bereich Geschäftsreisen und Tourismus attraktive Standorte geworden. Einige Bauträger bezeichnen Australien als eine jüngere Version Amerikas im Hinblick auf das Potential des Tourismus. In 1986 wurde der Bau von Hotels in Australien unterstützt durch die Erwartung eines zunehmenden Tourismus aufgrund des Segelwettbewerbs "Americas Cup."

Jedoch sind nicht alle asiatischen und pazifischen Länder ein Nährboden für Geschäftigkeit. Singapur und Malaysia haben schon ein Überangebot an Hotelzimmern, das durch den Bau vieler Luxushotels während der letzten Jahre entstanden ist. Wegen der politischen Unsicherheiten hatten die Philippinen Schwierigkeiten, Interessenten und Kapitalanleger zu finden.

Aufgrund der immer größer werdenden Nachfrage der Geschäftsreisenden und Touristen ist der Ferne Osten ein Gebiet von großem Interesse geworden. Der wachsende Handel mit dem Westen hat eine rasche Hotelentwicklung in China ausgelöst, wobei die Regierung hofft, daß durch die hochwertigen Hotelangebote ausländische Touristen angezogen werden. Japan, ein in der Hotelentwicklung beständig an der Spitze liegendes Land, zieht durch die Eröffnung von Tokio Disneyland viele zusätzliche Investoren an.

Verschiedene Hotelketten—wie Sheraton, Hyatt, Ramada, Meridien, Novotel, Sofitel, Nikko and Hilton International—haben bereits in asiatischen und pazifischen Ländern und im Fernen Osten Fuß gefaßt. Hilton Hotels Corporation veranschaulicht das erwartete Wachstumspotential dieser Gebiete durch die Eröffnung eines 622-Zimmer-Hotels in Queensland, Australien, in 1985 durch die Tochtergesellschaft Conrad International Hotels Corporation sowie die Errichtung eines Büros in Hongkong. Auch Marriott betrachtet den Fernen Osten als kurzfristiges Ziel.

Ständiges Wachstum im internationalen Reiseverkehr, Tourismus und Handel hat die Expansion der Hotelketten ins Ausland auch aus der Sicht der Gäste spürbar werden lassen. Hotels sind Dienstleistungsbetriebe und Kettenunternehmen versuchen, ihren Kunden zu den internationalen Zielen zu folgen. Die Ausweitung der amerikanischen Hotelketten in die Urlaubsorte verdeutlicht ebenso dieses Konzept. Mit dieser Strategie ist die Bemühung der Hotelketten verbunden, Markentreue zu entwickeln und auszunutzen, da die einheimischen Gäste üblicherweise Hotels mit einem ihnen wohlbekannten Namen bevorzugen, Markentreue wird außerdem durch die bestehenden internationalen Reservierungssysteme gefördert. Es wird geschätzt, daß 20% der Umsätze europäischer Hotels auf amerikanische Gäste entfallen.

Für große Hotelketten bieted internationales Geschäft einen Schutz gegen die

Rezession, indem man die unterschiedlichen Konjunkturzyklen ausnutzt. Für die Luxushotellerie sind die wirtschaftlichen Anreize, im Ausland zu expandieren, besonders stark. Die hohen Kosten und das große Risiko, das mit der Entwicklung von Luxusprojekten verbunden ist, begrenzt die Anzahl der in Frage kommenden Standorte in jedem Land. Deshalb tendieren die Ketten-Luxushotels dazu, international vertreten zu sein.

Viele Entwicklungsländer, die den Wert des Tourismus für ihre Wirtschaft erkannt haben, umwerben Hotelgesellschaften mit speziellen Untesstützungen. In einigen Fällen treten Regierungen als Vermittler oder sogar als Investoren auf. Hotelgesellschaften betrachten weltweite Verbreitung als eine Image-Stütze, die das Ansehen und den Namen der Hotelkette aufzuwerten scheint.

Entwicklungs-Strategien und Eigentumsverhältnisse

Die von einer Hotelkette verfolgte Entwicklungsstrategie zeigt ihre Ziele in der internationalen Expansion. Der Wachstumsprozeß beginnt mit der Auswahl des Grundstückes. Hotelketten, die vorwiegend daran interessiert sind, ihren Geschäftskunden an internationale Plätze zu folgen, oder die in schnell wachsenden städtischen Märkten investieren wollen, dürften sich ausschließlich auf größere Städte konzentrieren. Andere, die auf maximale Durchdringung bedacht sind, werden Niederlassungen sowohl in kleineren Städten als auch in den Hauptgeschäftszentren errichten.

Ketten, die schnell, aber mit möglichst geringem Risiko expandieren wollen, meiden das Eigentum an der Hotelimmobilie, weil sie ihre relative Unvertrautheit mit Kultur und Politik der Länder, in denen sie Hotelprojekte entwickeln wollen, erkennen. Stattdessen erteilen sie technischen Rat, Unterstützung vor der Eröffnung, Marketing-Unterstützung und Management-Dienste, während sie sich um inländische Kapitalanleger für das Gebäude bemühen. Dieses Phänomen ist besonders gebräuchlich bei den Luxushotel-Ketten, auch wenn sie manchmal noch Beteiligungen halten.

Auch Franchiseabkommen sind ein beliebtes Mittel, um in ausländische Märkte vorzudringen. Der unabhängige Unternehmer kennt den örtlichen Markt besser als ausländische Gesellschaften und macht somit wirksamen Gebrauch von einer Angliederung an eine Kette, indem er den Ruf, das Image und das Reservierungssystem der Hotelkette ausnutzt, aber das Gebäude eine lokale Atmosphäre behält. Hotelketten bieten den Franchisenehmern zusätzliche Vorteile durch Prototyp-Produkte einschließlich ideenreiche Gestaltung, architektonische Pläne, allgemeine Angaben und detaillierte Bauzeichnungen, was die Entwicklungskosten für den Franchisenehmer auf einem Minimum hält.

Firmen außerhalb der Vereinigten Staaten haben jedoch Nutzen auf der Stabilität ihrer eigenen Währung im Vergleich zum US-Dollar gezogen, indem sie Hotels in den Vereinigten Staaten gekauft haben. Dies war die Stratogie der Hotelketten, welche von der französischen Gesellschaft Accor gehalten werden. Japanische Investoren und Hotelketten, Prince Hotels, Inc. and Nikko Hotels International haben auch einige amerikanische Hotels erworben.

Anpassung des Hotelkonzeptes einer Hotelkette an einen ausländischen Markt

Die richtige Einschätzung der Nachfrage und das flexible Angehen eines Marktes sind Schlüssel für die Ubertragung eines lokalen Konzeptes auf einen ausländischen Markt. Ohne diese zwei Faktoren können die Ergebnisse internationaler Ausdehnung wirkungslos und schädlich sein. Einige ausländische Hotelketten haben beispielsweise ein Zimmer-Überangebot in einigen Märkten verursacht, indem sie Luxushotels in Städten errichtet haben, für die Mittelklassehotels besser geeignet gewesen wären.

Die Hotelketten müssen die grundlegenden Elemente ihrer Identität erkennen, um den Firmenstandard von dem kreativen Element in der Hotelführung und der Gestaltung zu trennen. Beispielsweise gewährt Quality Inn, die zweitgrößte internationale Hotelkette nach Holiday Inn, ihren Franchisenehmern Flexibilität bei der Anpassung eines Hotelkonzeptes, solange sie den genau festgelegten Service-Standard einhalten. Wegen unterschiedlicher Gesetze und Handelsbräuche sollten Franchisevereinbarungen von einem örtlichen Anwalt gefertigt werden und den örtlichen Gesetzen unterliegen. Manchmal werden Management-Büros, die mit inländischen Managern besetzt sind, vor der Anwerbung von Franchisenehmern in diesem Land eröffnet.

Hohe Baukosten, die die Umwandlung bestehender Gebäude gegenüber dem Neubau begünstigen, erfordern ebenfalls Flexibilität in der Anpassung an Hotelkettenkonzepte. Das Engagement Holiday Inns' bei der Renovierung von vier historischen Bauwerken in Europa soll dazu beitragen, das negative Image bei einigen Europäern auszuräumen, wonach die Hotelkette ein standardisiertes modernes Produkt anbietet.

Das von einer Hotelkette betrachtete Marktsegment beeinflußt ebenfalls die Übertragung eines Konzeptes ins Ausland. Holiday Inns, das anfangs seine Hotels in Außengebieten hatte, hat seinen Wirkungskreis auf das wachsende Marktgebiet der Geschäftsreisenden verlegt, das 65% seiner europäischen Kundschaft ausmacht. Folglich sind die Holiday Inn-Hotels in Europa normalerweise neuer, von besserer Qualität und teurer als ihre amerikanischen Gegenstücke.

Marktsegmentierung, d.h. die Entwicklung einer Vielzahl von Hotel-Angeboten durch eine Kette, setzt sich weltweit durch. Ein beachtliches Ergebnis könnte die Entwicklung eines neuen Systems zur Beurteilung von Hotels sein, das Bestandteile des europäischen Sterne-System umfaßt, modifiziert entsprechend den Produktunterschieden der verschiedenen Märkte. Das Sterne-System wurde als widersprüchlich kritisiert, weil es versucht, völlig verschiedene Objekte nach ein und demselben Schema zu beurteilen. Da Produkte innerhalb von Segmenten enger zu definieren sind, können sie einfacher miteinander verglichen werden.

Hotelgesellschaften haben erkannt, daß die Übertragung von Segmentkonzepten die sorgfältige Berücksichtigung der örtlichen Gewohnheiten erfordert. Beispielsweise sind alle europäischen Comfort Inn Hotels der Quality Inn's mit Restaurants ausgestattet im Gegensatz zu deren amerikanischen Hotels. Wenn Hotelprodukte grenzüberschreitend angeboten werden, erfordert die Bewirtung eine besondere Aufmerksamkeit. Einige Hotelketten haben Abteilungen eingerichtet, um internationale Menüs zu kreieren.

Auch die Erwartungen der Hotelgäste sind in jedem Land verschieden. Während Hygiene, Sicherheit und Service allgemeine Erwartungen der Gäste auf der

ganzen Welt sind, können Einzelheiten von Land zu Land variieren. Europäische Gäste erwarten z.B. häufig zusätzliche Serviceleistungen zu dem normalen Angebot, wie es von amerikanischen Hotels erbracht wird—so wie z.B. 24-Stunden-Service, Feinschmecker-Speisen und Getränke. Das Verständnis für diese unterschiedlichen Gegebenheiten hilft den Hotelplanern, jeweils die bestmöglichen Konzepte für die Ausstattung und den Betrieb aufzuzeigen.

Internationale Hotelbetreiber müssen die Fähigkeiten der Mitarbeiter berücksichtigen. Da das Hotelgewerbe dienstleistungsorientiert ist, wird der Hotelcharakter weitgehend durch die Qualität der Angestellten beeinflußt. Einige ausländische Hotelketten haben deutliche Verhaltensunterschiede gegenüber der Arbeit in Hotels in Europa und den Vereinigten Staaten festgestellt. In Europa haben die Arbeitsplätze in den Hotels einen professionellen Charakter, der durch ein festgelegtes Ausbildungsverfahren und eine Vielzahl von Hotelfachschulen, die die notwendige Ausbildung gewährleisten, erzielt wird. In den USA sind die Arbeitsplätze in den Hotels häufig mit ungelernten Kräften besetzt und die Angestellten sehen ihre Jobs kaum als Teil einer längeren Karriere an. Die Intercontinental-Hotelkette hat sich mit diesem Problem befaßt, indem sie intensive, interne Lehrgänge durchführen ließ, in welchen das amerikanische Personal von europäischen Lehrern geschult wurde. Diese Schulung wird die Unterschiede zwischen den Hotelkräften abbauen.

Zusammenfassend gesehen, hat das schnelle Wachstum im Reiseverkehr das Volumen der Hotelmärkte stark ausgedehnt. In dieser Hinsicht muß ein Hotel, ganz egal, wo es angesiedelt ist, mit Hotels der ganzen Welt konkurrieren. Konkurrenzdruck und Kostendegression werden die Internationalisierung der Hotelketten in der voraussehbaren Zukunft auch weiterhin fördern. Mega-Ketten, die aus internationaler Expansion und Fusionen sowie Zukäufen entstehen, werden die aus den USA und Europa kommenden Segmentkonzepte weltweit verbreiten und zu einer allmählichen Gleichstellung des internationalen Hotelgewerbes führen. Jedoch wird der Erfolg der weltweiten Hotelentwicklung auch weiterhin von der flexiblen Anpassung der heimischen Konzepte im Ausland abhängig sein, unter Berücksichtigung der bedeutsamen kulturellen, geographischen und politischen Unterschiede zwischen den Nationen. Aus diesem und anderen finanziellen Gründen wird das Franchising eher als die Eigenkapitalanlage sehr wahrscheinlich der bevorzugte Weg für Hotelketten bleiben, im Ausland tätig zu werden.

PRÓLOGO

Los avances tecnológicos ocurridos en el transporte y en las comunicaciones, en unión del incremento de la interdependencia entre las naciones, ha acelerado el crecimiento continuo en el comercio y en los viajes internacionales. Mientras se destacan en muchas circunstancias las diferencias culturales, dicha internacionalización en muchos casos ha tenido el efecto espontáneo de acallarlas. En los años recientes, la tendencia hacia las operaciones multinacionales se ha extendido hacia las industrias de servicios, incluyendo la participación patrimonial y la administración hotelera.

En la expansión internacional de las cadenas hoteleras, es evidente el número de contribuyentes a la edición de este año de nuestra publicación Worldwide Hotel Industry. Muchos de los hoteles representados, forman parte de cadenas multinacionales alrededor del mundo, las cuales han experimentado enormes crecimientos durante los últimos 15 años. De acuerdo con un estudio realizado por Hotels and Restaurants International, entre 1970 y 1985, el número de habitaciones afiliadas con las principales 20 cadenas internacionales se incrementó en un 149 por ciento (de 576,000 a 1.43 millones).

A pesar de que las cadenas internacionales de los Estados Unidos, dominan el escenario hotelero internacional, el nivel y alcance de la actividad de las compañías hoteleras de otras naciones se incrementa firmemente. Muchas cadenas internacionales operan ahora en los Estados Unidos de América, incluyendo a Four Seasons (Canadá), Meridien y Novotel (Francia) y Trusthouse Forte (Inglaterra). Accor, una Compañía que administra las cadenas Sofitel, Novotel, Mercure e Ibis, actualmente opera en 64 países. Igualmente, los grupos de mercadeo hotelero, han incrementado sus asociados internacionales. El grupo más grande lo es Best Western, con aproximadamente 245,600 habitaciones, en 3,200 propiedades en 35 países. Considerando esta interacción global, el prólogo de este año examina la transformación subyacente en la reciente expansión que se ha producido en el desarrollo hotelero internacional y enfoca los medios en los cuales las cadenas están trasplantando sus conceptos hoteleros domésticos y estilos de negocios a otras naciones.

La motivación detrás de la expansión internacional de las firmas hoteleras puede ser vista desde diversas perspectivas. La primera y la más importante, es la necesidad de incrementar los niveles de crecimiento y beneficios experimentados por muchas cadenas. Esta expansión "requerida", es esencialmente una realidad de la industria hotelera en los Estados Unidos de América, la cual está alcanzando madurez y próxima a su etapa de saturación en ciertos submercados, lo cual dificulta el crecimiento unitario.

Los países del Asia, El Pacífico y el Lejano Oriente son destinos atractivos, debido al incremento de los niveles turísticos y de negocios. El número de proyectos se iguala en Australia a una versión más joven, experimentada por los Estados Unidos de América, con relación al desarrollo potencial de los viajes. En 1986, la construcción hotelera australiana fue motivada por la anticipación del incremento turístico esperado como consecuencia de la competencia de navegación del American Cup.

Sin embargo, no todos los países Asiáticos y del Pacífico son focos de actividad; Singapur y Malasia están actualmente sufriendo de ofertas excesivas de habitaciones, lo cual ha sido consecuencia de la construcción de muchas propiedades de lujo durante los últimos anos. Filipinas, ha tenido dificultad en atraer promotores e inversionistas como consecuencia de la inestabilidad política.

El Lejano Este, es un área de gran interés, debido al crecimiento en los negocios y a los viajes turísticos. El incremento comercial con el Oeste, ha sido el detonador en el inicio de un período de rápido desarrollo hotelero en China, donde el Gobierno espera que las propiedades hoteleras de alta calidad, ayudarán en la atracción de visitantes extranjeros. Japón, un líder en el desarrollo hotelero,

está atrayendo muchos inversionistas adicionales con la apertura de Disneyland en Tokyo.

Varias cadenas ya se han establecido en los países de Asia, Pacífico y Lejano Oriente, incluyendo Sheraton, Hyatt, Ramada, Meridien, Novotel, Sofitel, Nikko y Hilton International. Hilton Hotels Corporation ejemplifica el crecimiento potencial anticipado de estas áreas; en 1985, lanzó a su subsidiaria Conrad International Hotels Corporation, con la apertura de 622 habitaciones hoteleras en Queensland, Australia, y el establecimiento de una oficina en Hong Kong. Además, Marriot considera el Lejano Oriente como una meta a corto plazo.

El crecimiento sostenido en los viajes internacionales, el turismo y el comercio han convertido asimismo, la expansión de cadenas hoteleras hacia países extranjeros, sensibles a las perspectivas de los huéspedes. Los hoteles proveen servicios, y las cadenas están buscando seguir a sus clientes en los destinos internacionales. La expansión de las cadenas norteaméricanas a los destinos de descanso, es una demostración de este concepto. Inherente a esta estrategia, es el deseo de desarrollar y explotar la lealtad hacia sus marcas; la teoría consiste en que los huéspedes locales tienen más inclinación a alojarse en un hotel con un nombre familiar. La existencia de los sistemas de reservaciones internacionales motivan y refuerzan aún más, la lealtad en la marca. Se ha estimado que los clientes norteamericanos generan un 20 por ciento de los negocios en los hoteles de Europa.

Para las grandes cadenas, las operaciones internacionales pueden proveer además una barrera en contra de la recesión, mediante el aprovechamiento de las diferencias cíclicas que se producen en los negocios. Los incentivos económicos para la expansión exterior son especialmente de gran atractivo para los promotores de propiedades lujosas. El alto costo y el riesgo substancial asociado con el desarrollo de propiedades de lujo, limita el número de sitios apropiados en cualquier país; en consecuencia, las cadenas lujosas tienden a la internacionalización.

Muchos países en desarrollo, reconociendo la incidencia del turismo en sus economías, han atraído a las compañías hoteleras, concediéndoles incentivos para su desarrollo. En algunos casos, los gobiernos han servido como intermediarios y más aún como inversionistas. Las firmas hoteleras miran las operaciones multinacionales como un creador de imagen, lo cual incrementa el prestigio de las cadenas y el reconocimiento de su nombre.

Estrategias de Desarrollo y Estructura Patrimonial

La estrategia de desarrollo diseñada por una cadena hotelera, reflejará sus objetivos en el logro de su expansión internacional. Con la selección del sitio se inicia el proceso de expansión. Aquellas cadenas interesadas primordialmente en seguir a sus clientes a los destinos internacionales o en capitalizar el rápido crecimiento de los mercados metropolitanos, concentran sus esfuerzos en las princi- pales ciudades. Otras que buscan maximizar su exposición pueden establecer su presencia en ciudades más pequeñas, así como en los principales centros de negocios.

Las cadenas desean acelerar, expandir y minimizar el riesgo de la inversión hotelera, debido a que reconocen su relativa falta de familiaridad con la cultura y la política de los países en los cuales desean desarrollar proyectos. En su lugar, ellas proveen asistencia técnica, asesoramiento en la etapa de preapertura, y servicios de gerencia y soporte de mercado, mientras dejan en manos del país anfitrión la inversión en el patrimonio. Este fenómeno es común especialmente entre las cadenas de lujo, a pesar de que en algunas ocasiones, ellas mantienen patrimonio e interés en la propiedad.

La concesión de franquicias, es además, una modalidad común, que sirve para el desarrollo de nuevos mercados extranjeros. El promotor independiente conoce el mercado local mejor que las corporaciones extranjeras y, consecuentemente, utiliza efectivamente la afiliación a una cadena mediante la explotación de la reputación de la firma, de su imagen y de su sistema de reservación, mientras mantienen la identificación local de la propiedad. Las cadenas ofrecen un valor adicional a la franquicia, a través de productos prototípicos, incluyendo diseños conceptuales, planos arquitectónicos, especificaciones generales y diseños de detalles de trabajos generales, minimizando los gastos de desarrollo del promotor. Sin embargo, ninguna firma norteamericana, ha aprovechado la fortaleza de su moneda, el U.S. dólar, para la compra de hoteles en los Estados Unidos de Norteamérica. Esta ha sido la estrategia de las cadenas propiedad de la firma francesa Accor. Los inversionistas japoneses y las firmas hoteleras Prince Hotels, Inc., y Nikko Hotels International, además, han adquirido varios hoteles en Estados Unidos de América.

Adaptando el Concepto de una Cadena

La correcta evaluación de la demanda del mercado y el mantenimiento de un enfoque flexible, son claves para trasladar un concepto doméstico a un mercado exterior. Sin estos dos factores, los resultados de la expansión internacional pueden ser inefectivos y perjudiciales. Algunas cadenas extrajeras, por ejemplo, mediante el desarrollo de hoteles de lujo en ciudades en las cuales se pueden soportar mejor propiedades de escalas medianas o económicas, han producido un exceso de la oferta de habitaciones en algunos mercados.

Las cadenas deben reconocer los elementos básicos de su identidad, para separar los estándares de los elementos creativos en los diseños y las operaciones hoteleras. Por ejemplo, Quality Inns, la segánda cadena internacional más grande, después de Holiday Inns, permite a los concesionarios de franquicias la flexibilidad de adaptar sus conceptos hoteleros, siempre que se adhieran estrictamente a los estádares de servicios. Debido a las diferencias culturales y legales, los acuerdos de franquicias deben ser redactados por un consultor local y deben estar sujetos a las leyes locales. En algunas ocasiones, se establecen oficinas administrativas locales, dirigidas por personal local, antes de seleccionar los concesionarios en el país receptor.

Los altos costos de las edificaciones, lo cual está motivando la conversión de propiedades en nuevas construcciones, está contribuyendo además, a la flexibilidad en la adaptación de los conceptos de las cadenas. La participación de Holiday Inns, en la renovación de cuatro estructuras históricas en Europa, se espera que ayudará a disipar la imagen negativa que mantienen algunos curopeos, de que las cadeaas ofrecen un producto moderno estandarizado.

La orientación de la segmentación del mercado de una cadena hotelera incidirá

además, en la traslación de su concepto en el exterior. Holiday Inns, quien fue inicialmente un hotel de carreteras, ha reorientado su enfoque hacia el segmento creciente de los vialeros de negocios, que comprenden el 65 por ciento de los clientes de las cadenas europeas. Consecuentemente, Holiday Inns en Europa, generalmente es más nuevo, de mayor calidad y más caro, que sus contrapartes en Norteamérica.

La segmentación del mercado, por ejemplo, el desarrollo de una variedad de productos hoteleros por una cadena, está ganando popularidad mundialmente. Un resultado curioso, puede ser el desarrollo de un nuevo sistema para la evalución de las propiedades hoteleras, la cual puede combinar elementos del sistema de estrellas europeo, y modificado por las diferencias de productos, según la definición de los segmentos. El sistema de estrellas ha sido criticado de ser inconsistente, debido a que tiende a clasificar propiedades con características ampliamente diversas, estilizando los mismo estándares de evaluación. Debido a que los productos dentro de los segmentos están más estrechamente definidos, los mismos pueden compararse más fácilmente.

Las compañías hoteleras comprenden que la traslación de los conceptos de los segmentos, requiere una cuidadosa consideración de las preferencias locales. Por ejemplo, todas las versiones europeas de Quality Inns' Economy Confort Inn, tienen restaurantes, a diferencia de sus contrapartes en los Estados Unidos de América . Consecuentemente, al expandir los productos más allá de las fronteras nacionales, los servicios de alimentos requerirán una investigación mas estrecha. Algunas cadenas han establecido divisiones de investigación ene alimentos para ayudar al diseño de sus menús internacionales.

Las expectativas de los huéspedes, pueden variar ampliamente a través del país. Mientras la higiene, seguridad y servicios, son condiciones esperadas por los clientes hoteleros mundialmente, las particularidades pueden variar de país a país. Los huéspedes europeos, por ejemplo, frecuentemente esperan recibir servicios adicionales de amenidades sobre aquellos suministrados típicamente por los hoteles norteamericanos, tales como servicios de habitaciones durante las 24 horas, y alimentos y bibidas gastronómicos. La comprensión de estas diferencias, ayuda a los planificadores hoteleros en la asignación más provechosa de los recursos en el diseño de las instalaciones físicas y en sus operaciones.

Los operadores hoteleros internacionales deben considerar los recursos humanos. En vista de que la industria hotelera está orientada a la prestación de servicios, el carácter del producto será primordialmente una función de la calidad del personal que lo realice. Algunas cadenas extrajeras han notado una diferencia significativa en la actitud hacia los empleos de servicios hoteleros en Europa, comparado con los Estados Unidos. En Europa, los empleos hoteleros son asignados considerando su carácter a través de un sistema de aprendizaje formal y una red de escuelas hoteleras que les enseñan los conocimientos necesarios. En Norteamérica, los empleos de servicios hoteleros son frecuentemente ocupados por personal sin entrenamiento, y los empleados no tienen inclinación a considerar los puestos de trabajo como carreras permanentes. La Cadena Intercontinental ha enfrentado esta diferencia, a través de un programa interno de entrenamiento intensivo, en el cual los instructores europeos entrenan al personal americano. Se espera que este entrenamiento reducirá las diferencias entre el personal hotelero.

En resumen, el rápido crecimiento en los viajes, han ampliado el alcance de los mercados hoteleros. Em alguna forma, un hotel, sin importar donde esté localizado, compite por huéspedes con los hoteles en el mundo entero. Las presiones competitivas y las economías de escalas, continuarán estimulando la internacionalización de las cadenas hoteleras durante el futuro próximo. Las cadenas grandes, resultantes de la expansión internacional, fusiones y adquisiciones, ampliarán los conceptos de segmentación emergentes en Norteamérica, Europa y alrededor del mundo y producirán una homogenización gradual de la industria hotelera mundial. Sin embargo, el éxito del desarrollo hotelero internacional continuará dependiendo de la adaptación flexible de los conceptos domésticos en el exteriór, considerando las diferencias significativas culturales, geográficas y políticas entre los países. Por esta y otras razones financieras, el sistema de franquicias y no el de la participación patrimonial, es deseable que se mantengan entre los mecanismos preferidos de las cadenas operadoras en el exterior.

COMMENTS FROM AROUND THE WORLD

AFRICA AND THE MIDDLE EAST

From Cameroon

Major interest in the hotel sector continues to focus on Douala, the commercial center, and Yaounde, the capital. A 17.5 percent increase in hotel demand was reported in Douala in 1985–1986, yet the significant increase in supply resulted in an overall occupancy decline.

In Yaounde, growth in demand has occurred primarily from the business and government sectors. A decrease in capacity occurs during peak business periods, and demand has been displaced to smaller units within Yaounde and Douala. Completion of a new luxury hotel in Yaounde, to be operated by Hilton International, is planned for 1989, and a new Ibis hotel is likely to be developed. Proposals for a Meridien hotel in Yaounde have been dropped.

Hotel operators continue to be concerned about price controls. Although maximum permitted tariffs were increased approximately 16 percent in December 1985, this was the first increase in more than three years and another increase is not expected before 1988.

Martin W. Gerty
Horwath & Horath (U.K.) Ltd.
London

From Egypt

In 1986 Egypt experienced a 13 percent decline in international arrivals, to 1.3 million, reflecting the trends experienced by many countries. This decrease was primarily attributed to fears of international terrorist activities, close proximity to Libya and Middle Eastern and internal political and civil unrest.

As in the past, Egypt exhibited great resilience in overcoming factors which have depressed tourism demand; recent figures for 1987 show the number of arrivals once again strongly increasing. The tourist product is one that has considerable potential for expansion, not just based on the main attractions of Cairo and the Nile Valley but in leisure and recreational tourism developments located on the Mediterranean and Red Sea coasts.

Despite present internal economic uncertainty there is a certain level of hotel and Nile cruise boat development planned or taking place which will improve the availability of accommodations. The nationalized Egyptian Hotel Company (EHC), which controls 18 of the country's better-known hotels, is negotiating lease arrangements with international hotel chains and leisure groups. The EHC hotels include Cairo's famous Shepherds and the Winter Palace in Luxor as well as others located in Alexandria and Aswan. It is envisaged that by privatizing the hotel's management it will lead to a localizing of these historic institutions and bring about foreign investment in badly needed refurbishment and renovation; this should improve demand and turn 1986 losses into profit by 1988.

It is hoped that new developments and the restoration of famous hotels will lead to an increase in tourist arrivals, which will serve as a catalyst to increasing momentum in further developments. An improvement in the tourism economy will, in turn, give rise to spin-off and multiplier benefits in a national economy suffering from downturns in other sectors.

Youssef Nabih
Youssef Nabih & Co.
Cairo

Geoff S. Parkinson
Horwath & Horwath (U.K.) Ltd.
London

Egypt

Hotel Development Comparison: 1975–1987

Hotels

Year	Hotels	Rooms	Beds
1975	127	8,980	17,239
1987	317	26,450	50,668

Floating Hotels: 1982–1987

Year	Hotels	Rooms	Beds
1982	47	1,689	3,577
1987	61	2,308	4,632

Projects Under Construction to January 1987

	Preliminary Approval	Investment Approval
Hotels	71	17
Rooms	6,447	5,244
Beds	13,398	10,644
Suites	222	10
Chalets	30	40
Flats	—	28

Number of Tourists—Domestic Nights and Revenue

	1985	1986
Tourists	1,518,426	1,311,250
Nights	9,007,053	7,487,366
Revenue (million pound)	338,300	311,100

From Israel

The number of tourist arrivals decreased 13 percent in 1986 compared with 1985, representing a 3 percent decrease in European tourists and a 40 percent decline in U.S. arrivals. This occurred primarily as a result of the Achille Lauro highjack and other terrorist activities in European airports early in 1986.

The new economic policy adopted by the Israeli government in the middle of 1985 has caused the inflation rate in the country to drop to the level of 20 to 25 percent annually. The exchange rate of the American dollar remained stable at US$1 = N.I.S. 1.50 until January 1987, when a 10 percent devaluation of the dollar occurred. The impact of this policy, coupled with the drop in hotel occupancy, caused a substantial decrease in the accommodation industry in general. The exception is hotels in Eilat, which continue to enjoy prosperity mainly due to the free zone regulations.

The outlook for 1987 is one for substantial recovery and growth in tourist arrivals. During the first quarter of 1987 the increase in the number of tourists was approximately 13 percent, and the expectation for the entire year is for continued improvement with final figures exceeding 1985 levels.

Horwath, Bavly, Millner & Co.
Tel Aviv

From Morocco

Despite a 6.4 percent increase in tourist arrivals from Europe in 1986, there was an

overall decline of 4.3 percent in total arrivals. This was due to a 50.7 percent decrease in arrivals from the U.S.A. and a 35.5 percent decrease from the Arab countries of Saudi Arabia, Kuwait and Libya.

There was a slight decline in tourist arrivals from France, Morocco's principal market, but this was offset by promising levels of growth in arrivals from the Spanish, German and United Kingdom markets and by an increase in the average length of stay by the French market.

Bednights in classified hotels and tourist residences in 1986 grew 1.4 percent over 1985. This was made up of an 0.8 percent growth in international markets and a 4.8 percent growth in the domestic market.

In regional terms, Marrakech registered the highest percentage growth over 1985 in total bednights spent in classified hotels by both international and national markets (up 9.1 percent). Tangier also recorded moderate bednight growth (up 5 percent) but growth in Agadir was limited to 1.6 percent over 1985 levels, due mainly to a shortage of hotel bedrooms. A 12 percent decline in bednights in Casablanca was recorded in 1986 compared with 1985.

Twenty new hotels with a total of 4,305 beds opened in 1986, of which 33 percent were in Agadir and 29 percent were in Marrakech. Seventy percent of this new capacity falls under the four-star category, although classification criteria are currently under revision.

An additional 20,000 beds in 82 hotels were under construction at the end of 1986, and 55 projects totaling more than 16,000 beds were approved for construction.

Two Congress halls are planned, one for Marrakech and one for Agadir, with 2,000 and 1,500 seats, respectively; it is hoped that this will enable these two cities to broaden their hotel market bases.

During 1986 PLM and Salam Hotels achieved increases in arrivals and bednights in their establishments in Morocco, whereas several other large international companies experienced declines in both these indicators.

Martin W. Gerty
Horwath & Horwath (U.K.) Ltd.
London

From Oman

Until the end of 1985, the market for hotel accommodations in Muscat and the capital area was very buoyant. The main sources of this demand were the business market including consultants, advisors and technicians involved in development and infrastructure projects, government-related demand and aircrew business.

The decline in oil prices during 1986 and the significant decrease in government revenues resulted in a downturn in economic and business activity with new construction projects ceasing almost completely.

The strength of the hotel market in the early 1980s had encouraged the development of new hotels, and a number of major chains established a presence in the capital. In 1985, the total number of rooms available in international hotels increased more than 65 percent compared with the previous year. This substantial increase in supply, coupled with a decline in the number of business visitors to Oman, led to a major reduction in room occupancies in most hotels during 1986. Average room rates also declined as discounts offered by the hotels increased to attract the remaining business.

In the past year, two new markets for hotel accommodations began to emerge: tour groups and exhibition markets. Limited access for overseas visitors to the Sultanate is now possible through organized tours. However, the number of such groups are tightly controlled by the government, and it is likely that this market will remain small and may display only limited growth.

The future demand for hotel accommodations will therefore be dependent on the extent to which the economy of Oman recovers and government expenditures increase.

John Mackie
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From Southern Africa

Botswana: Botswana continues to experience some economic problems as a result of its close connections with, and the recession in, neighboring South Africa. However, the travel and tourism industry remains largely unaffected by economic conditions and continues to grow.

Gaborone, the gateway to the country, has attracted substantial commercial and industrial development, particularly related to EEC countries. Although proposals for a new hotel in the capital city have not yet materialized, interest remains keen and at present no major international hotel groups are represented either in the capital or elsewhere in Botswana.

The government's increased recognition of the importance of tourism to the country as a high foreign exchange earner has placed great emphasis on controlled tourism development based on the country's prolific wildlife in vast wilderness areas. The Botswana Development Corporation has entered into an agreement with a South African company, involved extensively in the travel business, to expand the 100,000-acre Mashatu Game Reserve in the northeast Tuli enclave. Proposed facilities include lodges, tent camps and a conference area. Special interest packages such as conservation, photographic and archaeological tours will also be introduced. The Okavango Delta area continues to be the major attraction for both domestic and international visitors, and a tarred road has been constructed between Gaborone and Maun, providing easier overland access to the northern part of the country and the Delta. The Botswana government must be cautious, though, in the development of the delicate ecological system which exists in this area.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Comores Islands: Work is now well under way on the development of the Islands' first major tourism project which will comprise two hotels on the island of Grand Comore and additional hotel developments on the islands of Anjouan and Moheli. This is the first phase of government proposals to develop the Comores as a major Indian Ocean tourism destination. The new facilities, to be operated by Landmark International Hotels, are anticipated to attract well in excess of 10,000 visitors upon opening from a current level of approximately 1,500 visitors annually, with the principal sources of demand comprised of South African and European visitors.

Interest is also being shown by other

South African-based and international operating and development companies in the Comores. However, substantial improvements to the Islands' infrastructural and tourism support facilities, with particular emphasis on access for visitors as well as goods, are required before the Comores Islands can become truly competitive with other longer established tourism destination in the Indian Ocean such as Mauritius, the Seychelles and Reunion.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Lesotho: Recognizing the importance of the tourism industry, the Government of Lesotho has placed emphasis on improving the Kingdom's infrastructure with the aim of opening access, particularly to ponytrekking, snow skiing, hiking and mountaineering tour packages to the country.

The announcement of the large-scale Lesotho Highlands water project, which will generate hydro-electric power for Lesotho and water for the Transvaal area of South Africa, was received with great enthusiasm. The project is expected to generate substantial revenue for Lesotho, as well as boost the number of commercial visitors to the country. Within Maseru, the country's capital and commercial center, the two major hotels—Hotel Victoria and the Lesotho Sun—have recently undergone major refurbishment programs. An additional private casino is also under construction in the city. Several other hotel and resort companies have shown an interest in developing new accommodation projects throughout the country. The Lesotho Tourist Board is highly supportive of these projects, while conducting their own promotional campaign to increase tourist arrivals.

The Kingdom's national airway, Lesotho Airways, is investigating the potential to increase medium-range services to all the Southern African Development Coordinating Conference (SADCC) countries and Lesotho continues to serve as the coordinating state for the tourism sector of SADCC.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Malawi: Provisional estimates of tourist arrivals show an increase from nearly 60,000 arrivals in 1985 to more than 74,000 arrivals in 1986. The previous record high of 57,000 was recorded in 1975. This dramatic increase can be attributed to a recent intensive marketing campaign targeted in Southern Africa and Western Europe, combined with efforts by the Department of Tourism to upgrade the country's tourist facilities. Infrastructure improvements under the current road improvement program encompass major upgrading of roads connecting the major tourist and commercial areas of the country. Air access also has improved with the introduction of new flights and increased capacity on existing flights.

Lake Malawi continues to be the main focus for development. The newest hotel, Nkopola Lodge, is located on the southern tip of the lake in a resort setting. The nearby Club Makakola recently completed a refurbishment program and is now constructing new accommodation units to increase capacity. The Kudya Discovery Lodge was recently completed near the Liwonde National Park by a Malawian entrepreneur. Malawi Hotels Limited is currently the only major operator in the country with four hotels represented in the group. While no international hotel groups are represented in Malawi, some interest in new developments has been shown by several major international hotel operating companies.

The Third Annual Lake Malawi Yachting Marathon was expanded this year to include sailboards, drawing wide international participation; this event is expected to increase in popularity. Recently, the New Lake Malawi National Park was officially opened as Africa's first freshwater park.

It is widely believed that in 1987 Malawi will emerge as one of the most exciting new tourism destinations in Southern Africa, although the limited supply of adequate facilities will constrain any rapid development for some time.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Mauritius: New hotel developments in 1986 and 1987 will add approximately 1,000 rooms to the thriving hotel industry in Mauritius. However, the government has recently announced more stringent restrictions on hotel development with limitations on size and a requirement for approval of all architectural plans. Furthermore, a first-level ceiling of 250,000 tourists annually has been set with proposals to add an additional six luxury-category hotels to be operated by international management companies.

Preliminary figures for 1986 indicate total arrivals of 150,000. The largest demand market is the nearby island of Reunion followed by France and South Africa. Mauritius has targeted new trade and tourism links with Australia and the Far East, and hopes to strengthen demand interest from Europe, especially the EEC countries.

New developments include La Croix de Sud, a 40-room holiday village in the south east; La Pearle Beach, a 42-room budget hotel, and Dynasty, a business hotel in Port Louis. Three existing hotels, the Meridien Paradis, the Maritime Belle Plage and St. Geran Sun are also undergoing extensive refurbishment. Among proposals for new developments are a 300-room hotel at Balaclava Beach south of Trou aux Biches; a Regency group resort near Club Mediterrannee, and a development by an undisclosed company at Pointe aux Cannoniers in the southwest area of the island. With the heightened interest by international groups in the island, viable hotel sites are now becoming scarce. A further notable project is the first time-share condominium to be developed on the island.

The national carrier, Air Mauritius, has increased air capacity on several of its routes to and from Mauritius, while Singapore Airlines has extended existing routes to eastern destinations. The government has committed resources to infrastructure improvement including a new terminal at the international airport as well as improvements to the island's road network.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Namibia/South West Africa: The Directorate for Tourism lists 204 accommodation establishments throughout the territory, offering 5,000 beds. The 1986 annual average room occupancy figures for Windhoek (42 percent) and for the territory as a whole (40 percent) were slightly higher than 1985 at 40 percent and 37 percent, respectively. However, these figures do not include state-operated accom-

modations in game reserves and parks which exceeded an average annual occupancy of 80 percent for approximately 1,350 beds.

Demand is generated primarily from the tourist sector, supplemented by commercial and limited government-related markets. Because Namibia/SWA does not operate border posts, precise assessment of the number of tourists entering the country is difficult to calculate. Estimates place 1986 arrivals at approximately 60,000 which includes 9,000 overseas arrivals. South Africans account for approximately 45 percent of incoming tourists, while German-speaking visitors make up the bulk of arrivals from overseas. Windhoek, the capital, serves as the gateway city to visitors and is undergoing redevelopment of its central business district area, which includes plans for a large luxury-category hotel.

It is proposed that a major international hotel group will manage the property and proposals for the development include the construction of extensive conference facilities (with the goal of establishing Namibia/SWA as a viable conference destination), a mineral spa and casino. The government is currently reviewing legislation on gaming in the territory.

The Directorate of Trade and Tourism has successfully launched their "Desert Rose" program aimed at attracting greater numbers of visitors to Namibia/SWA. Major aspects of the program include notable traditional attractions such as the Etosha Pan National Park, Fish River Canyon, the Skeleton Coast and the historical coastal towns of Swakopmund and Luderitz. The program has already received a marked response from South African tourists and has further helped to increase the German-speaking market by 20 percent. With the ever present possibility of independence, several international airways have shown interest in opening additional overseas air routes to Windhoek to and from Western Europe.

Tourism developments proposed for 1987, in addition to the hotel outlined above, include expansion of government-controlled accommodations by more than 300 beds, possible privatization of a number of government camps and increased overseas promotion of Namibia/SWA, particularly as an alternative destination to South Africa. The general outlook for Namibian/SWA tourism remains positive for 1987.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

South Africa: Operating performances of the South African hotel industry throughout 1986 continued their downward trend with hotels registering overall the lowest occupancy figures for the past decade. According to Pretoria University's Bureau of Financial Analysis, average annual room occupancy for all grades of hotels was 49 percent in 1986 (41 percent for five-star hotels, 50 percent for four-star hotels, 53 percent for three-star hotels, 48 percent for two-star hotels and 47 percent for one-star hotels). This compares with 53 percent room occupancy in 1985 and 59 percent room occupancy in 1984.

These figures, however, hide the fact that available room nights in South Africa increased approximately 11 percent in 1986 and that, in fact, room night demand actually increased approximately 4.5 percent—the first such increase since 1981. It is further evident that only limited proposed additions to the supply of accommodations in 1987, allied with the continued growth in room nights demand evidenced in 1986, may well result in a reversal in the downward trend in hotel occupancy levels.

On a regional basis in 1986, the highest occupancy percentages, well above the national average at 60 percent, were recorded in Bloemfontein and Kimberely, followed by the Drakensberg, Durban and Umhlanga, and Port Elizabeth areas, all at 59 percent. The Drakensberg area, following a trend established in recent years, was the only region to show increased occupancy levels in 1986 compared with 1985. Johannesburg hotels, with an annual room occupancy of 44 percent in 1986, suffered the worst decline of 9 percentage points from the previous year's figures.

Despite depressed trading conditions, there is continuing interest in new hotel development in South Africa, possibly in response to a growing awareness of at least stabilization of the economic situation and its potential positive impact on domestic holiday and business travel. In more recent months, demand for hotels has increased to surprisingly high levels in certain areas and near maximum occupancy levels have been experienced in many traditional resort and commercial areas; this is, in part, a reflection of increased, albeit limited, international tourism to the Republic allied with some growth in domestic travel.

The domestic travel market will be further boosted by low-valued land and continuing increases in international air fares which have now forced South Africans to utilize domestic facilities rather than travel abroad. At the same time, the South African Tourist Board has launched an effective marketing program to boost domestic tourism. The introduction of several new privately operated inter-city bus services is expected to stimulate new domestic demand markets.

Development activity is concentrated among the smaller number of leading South African hotel operating companies. Protea Hotels and Inns has been involved in refurbishment, having added more than 40 hotels to its management/franchise system, and a number of further acquisitions are proposed; the limited-service City Lodge group (originally conceived as part of the Holiday Inns South Africa group) recently opened its second hotel (with evident success) and plans are in hand for five additional hotels throughout the Republic; Southern Suns is involved in the development of a new major project in the Drakensberg area in Batal with tentative proposals for further projects elsewhere in South Africa, and Sun International will soon open a new casino resort hotel near Pretoria in the national state of Bophuthatswana. Several new hotel and tourist-related developments are also proposed by individual developers and operators.

The air of optimism within the industry is still somewhat guarded, as it is evident that the recent limited growth in international tourism can be directly attributed to government curbs on overseas reporting of events in South Africa and negative media coverage throughout recent months has been ceased, leading to the supposition that South Africa now no longer poses a risk to travelers to the country.

There are also mixed feelings with regard to government legislation cur-

rently being enacted in South Africa. While amendments to the hotel act governing registration and grading of accommodations is intended to clear the way for accommodation facilities geared more closely to particular local market conditions and circumstances, and to enable operators to improve operational efficiencies, there is concern that the act will only serve to increase government regulation of the hotel and tourism industries.

Furthermore, a recent government announcement to control sales of tickets by South African travel agents for all long-haul flights to Southern African destinations has also caused some dismay among the travel trade in the Republic, being seen as over zealous and unfair regulation of air fare tariffs to the region, which are already considered comparatively too high.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Swaziland: The crowning ceremony of King Mswati II in 1986 drew, as expected, wide regional and international attendance, with international television coverage and a focused interest on Swaziland as a tourist destination. The year was also marked by the opening of the new Pigg's Peak Hotel and Casino (operated by the South African-based Protea Hotels and Inns) and the completion of major refurbishment to the Sun International complex in Ezelwini Valley. Work is proceeding on the proposed new Sun International Hotel at Manzini, the second-largest town in Swaziland and a major commercial center. There are also tentative proposals to develop a major new hotel in the capital, Mbabane, to be operated by a leading international management company.

However, the government's optimistic plans for continuing tourism growth, stimulated by the coronation ceremony and new hotel development, were recently dashed by major fires at the Royal Swazi Sun Hotel (part of the Sun International complex at Ezelwini Valley) and at Protea Pigg's Peak Hotel; it will be several months before these two properties become fully operational again.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Tanzania: Plans were recently announced for the development of two major new hotels in Dar es Salaam and Dodoma. It is proposed that the hotels, comprising 350 rooms and 150 rooms, respectively, will cost some US$70 million to build and that Sheraton will manage the properties. Construction will be undertaken by the Yugoslavian firm, Ernegoproject, which constructed the Harare Sheraton Hotel in Zimbabwe. Development of the two hotels has been proclaimed part of the government's continuing commitment to development of the tourist sector of the economy, exploiting the country's vast and, as yet, largely untapped tourism resource with the eventual aim of attracting between 300,000 and 500,000 tourists. However, the ever-present problem of shortages of imported fuel, food and liquor, machinery, spare parts and equipment are proving a major constraint on the government's ability to create a viable tourism industry, and the long sought after foreign exchange concessions by private operators in the industry have not yet materialized.

The government recently proposed the sale of its numerous Tanzanian Tourist Corporation-operated game lodges to the private sector; international operating companies have expressed a keen interest.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Zaire: In the past, tourism has been given a low priority by the government as the country depends primarily on its mining industry as a foreign exchange earner and mainstay of the economy. However, a strong international, commercial and diplomatic market makes Kinshasa, Zaire's capital city, the major focus for possible new hotel development.

The Inter-Continental Hotel (ICH) in Kinshasa has recently completed a 245-room extension with a wide range of related facilities. A further IHC project proposes the development of serviced apartments, health facilities and offices. There are also proposals by the Hilton group to develop a five-star hotel on the banks of the Zaire River in Kinshasa.

A feasibility study has been conducted on the total refurbishment and extension of Kinshasa's airport, but extensive financing must be sought before construction begins; it will be some time before these plans come to fruition.

Potential holiday tourism development areas comprise the Goma and Kivu districts. Currently these areas attract an estimated 6,000 international tourists annually, although problems of access and the constraint this imposes on the numbers of potential travelers make this a very expensive destination. The Zaire coast also offers some development potential but, again, this is constrained by limited transport facilities and poor access. Local travel agents have therefore targeted tourism development toward special interest, high-spend demand markets such as Japan and the United States.

Howard V. Williams
Horwath & Horwath Southern Africa (Pty) Ltd.

Zimbabwe: Zimbabwe experienced a 9 percent increase in tourist arrivals in 1986 to 395,000, after a decline of 13 percent in 1985 to just over 361,000. Declines also were experienced in 1984 and 1983. Yet the increase in tourist volume did not result in the much-needed boost to the hotel industry. Of 2.1 million bednights available in 53 graded hotels during 1986, 37 percent were sold. This compares with 38 percent bed occupancy in 1985.

On a regional basis, 1986 average bed occupancies were 40 percent in Harare (312,000 bednights), 33 percent in Bulawayo (115,000 bednights), 33 percent in Victoria Falls (93,000 bednights) and 34 percent in the popular game reserve and tourist area of Hwange (109,000 bednights).

The benefits experienced by the hotel industry resulting from the Non-aligned Movement Conference held in 1986, both by way of increased demand and the easing of restrictions at that time on the import of much needed goods and supplies, have now dissipated and the hotel industry once again faces severe shortages related to imported liquor, foodstuffs, machinery and equipment as a result of more stringent controls on the availability of foreign currency.

Another constraint on the development of the tourist industry is the relatively high and ever increasing cost of air travel to the country, both from regional and long-haul destinations.

Efforts are continuing to promote tourism to the country and to establish Harare as a major international conference destination in order to capitalize on the recently developed major conference facility located alongside the Sheraton Hotel.

The country is proving popular once again for South African tourists, although the long-term potential of this market must be considered with some caution as the ever-growing threat of sanctions, if imposed, would jeopardize this major source of tourism demand.

Eric Barbour
Barbour, Robb & O'Connor
Harare

From Syria

Steps taken by the Ministry of Tourism have helped greatly in the development of tourism during the past several years.

Most important in this development has been the establishment of international hotels in the country's major cities by Sheraton and Meridien, among others.

A general survey has contributed to the development of a strategic plan until the year 2000. Tourism promotion and public relations efforts have also expanded.

To encourage investment by domestic and Arab interests, large facilities have been granted tax and duty exemptions.

Bed numbers presently total 25,000 and are expected to increase to 38,000 in coming years. Tourist arrivals totaled 1.1 million in 1986, a 9 percent increase over 1985. Arrivals are expected to continue to increase.

A. Baha Eddeen Abdeen
Horwath & Horwath
Damascus

From Tunisia

Foreign arrivals decreased 25 percent in 1986 following increases of 27 percent in 1985 and 10 percent in 1984. This decrease is a result of the political and economic situation in the region and was mainly due to the decrease in arrivals from neighboring Maghrebian countries. It is of particular note that, despite the large number of cancellations received by incoming tour operators after the raid on Lybia, arrivals from European countries increased 2.6 percent.

Foreign tourist nights decreased only 1 percent, reflecting the strength of demand from European countries, which have a longer length of stay.

In 1986, total accommodation supply increased by 7,000 beds to 96,000, following a 6,000 bed increase in 1985. The major increases in 1986 were in Skanes-Monastir and in the city of Tunis, which is now considered overbuilt with hotels.

New targets for the seventh economic plan include the creation of 20,000 additional beds from 1987 to 1991. Priority will be given to private development not requiring government investment. Emphasis on promotional efforts and improvements in the destination product will continue.

Martin W. Gerty
Horwath & Horwath (U.K.) Ltd.
London

From Turkey

Following a 24 percent increase in foreign arrivals in 1985, an 8.6 percent decrease to 2.4 million arrivals was recorded in 1986. The greatest decreases were recorded in the months of January, February and July, reflecting the effect on Turkey's tourism of external influences. The most significant declines in demand were from North America, with the U.S. arrivals down 59.4 percent and Canadian arrivals down 39.2 percent.

Much of the volume loss from these markets was balanced by increases from many European countries, with West Germany leading with almost 90,000 more visitors in 1986 over 1985, an increase of 30 percent. The next largest increase in volume was from the United Kingdom with 30,000 more visitors, representing a 24 percent increase in 1986. With similar or greater percentage increases recorded by many other major tourism demand generating countries in Western Europe, the prognosis for Turkey's resorts and cities as a holiday destination is good.

While lack of supply continues to be a constraint on growth, a number of significant developments have opened during the last 12 months, and several more are planned for completion in the next 12 months. Pullman-Etap opened their fifth hotel in Turkey in Ankara in 1986, and the Ankara Hilton International Hotel is scheduled to open in 1988. In Istanbul, while there is still considerable interest from international hotel chains, construction has started on only one hotel, the Ciragan Palace development, which is to be operated by Royale Resorts International. Unrealistic land prices and difficulty in raising financing for development continue to inhibit development on any large scale. Major developments also are proposed in Izmir.

Development is generally unconstrained in the resort areas. Club Aldiana and Club Hotel Sera commenced operation in 1986 in Antalya, and a second Club Robinson is due to open for the 1987 season, together with holiday villages managed by Iberotel and Neckerman. Melia, Novotel, Meridien, Kuoni and Ramada also have hotel and holiday village projects in advanced stages in the Antalya region. Elsewhere on Turkey's coastline, Yasar Holding is constructing a resort hotel and real estate development at Marmaris, a sister hotel to their Golden Dolphin property near Izmir. Considerable interest has been expressed in many other resort areas, including Bodrum, Koycegiz, Fethiye and Alanya; these places are likely to see extensive development of tourist facilities.

With Turkey's current tourist capacity of 85,500 beds scheduled to increase to more than 120,000 within the next two years, the tourism development plan target of 100,000 beds will easily be exceeded. However, critical factors in the success of tourism development will include the ability to attract adequate financing for development, the ability to market effectively and manage the resorts, adequate training for staff and the provision of adequate air transportation capacity.

Martin W. Gerty
Horwath & Horwath (U.K.) Ltd.
London

ASIA AND AUSTRALASIA

From Australia

General Comment: The Pacific Basin is currently experiencing significant growth in tourism as Australia is acknowledged as the major attraction in the region. International arrivals reached record levels in 1986 for the second consecutive year, and all Australian tourist markets are experiencing growth as tourism has finally achieved recognition as a key industry. Continued high levels of funding for tourism promotion and development in the light of budgetary restraints

reflect the government's confidence in the tourism industry and its role in Australia's future economic well-being.

Tourism continues to benefit from a combination of favorable conditions (which include a weak Australian dollar, political stability, perceived and actual visitor safety and general growth in popularity of long-haul destinations and experiential travel. Australia is capitalizing on this potential with aggressive national, state and commercial promotional campaigns. Its profile in virtually every major market is at an all-time high, aided by such hallmark events as the America's Cup, the Australian Grand Prix, Expo '88 and Australian Bicentennial celebrations. The successful motion picture "Crocodile Dundee" has drawn further attention to the country.

Significant changes are taking place in the ability to handle the influx of visitors. The lodging industry is undergoing diversification, improvement in facilities and a high level of investment in new developments including hotels and resorts, casinos, convention/exhibition centers and other public facilities and attractions. Attention is being given to the establishment and improvement of government and in-house training programs.

Domestic travel continued to increase in 1986 but at a slightly reduced rate from 1985. The international inbound market is expected to continue to expand strongly during the next two to three years. It is within this time that the tourism industry will seek to lay the foundation for ongoing, albeit less spectacular, growth and the establishment of Australia as a permanent long-haul destination.

Anthony K. South
Horwath & Horwath
Sydney

New South Wales: As anticipated, 1986 demonstrated further growth in addition to the strong performance of the hotel market recorded in 1985. Despite significant increases in room supply, state occupancy levels increased 7.6 percent to 61.9 percent, while average daily room rates increased 22.5 percent to $43.69.

The Sydney metropolitan area displayed the strongest performance of all regions in 1986, a trend consistent with all Australia with capital cities dominating the accommodations market. Average occupancy rose 8.1 percent to 72.6 percent while room rates rose 23.9 percent. The actual performance was surprisingly close the average budgeted increases derived from information provided by contributors to the *1986 Worldwide Lodging Survey*. The ability of operators to accurately project the performance of the hotel market was clearly demonstrated.

The upper end of the market, concentrated in Sydney city center, was the outstanding performer of the state's hotel industry. Average occupancies were more than 80 percent in 1986 which, while five-star hotels consistently produce above average occupancy rates, is among the best results in recent years. The strong year, coupled with expectations of continued good performance, has led to significant increases in room rack rates for the majority of first-class hotels, finally bringing Sydney rates toward realistic levels.

Major developments are underway in many regions of the state in an attempt to capitalize on available demand and reduce Sydney's dominance of the state's tourism. A majority of rural developments are resort style, utilizing regional natural environments as major attractions for tourists. Established destinations are experiencing increased new developments and refurbishment of existing properties.

The outlook for 1987 is for a continuation of the growth experienced since the third quarter of 1983. The industry is responding to current buoyant conditions with increases in quality and range of hotel product, thus encouraging further growth in demand.

Anthony K. South
Horwath & Horwath
Sydney

Northern Territory: In general, exceptional growth in tourism and tourism facilities occurred. New hotels, such as the Sheraton and Beaufort in Darwin, continued to supplement the territory inventory of five-star accommodations; in addition, a large number of smaller developments were undertaken across the spectrum of budget-priced, family-style accommodations.

The five main centers of Darwin, Alice Springs, Katherine, Tennant Creek and Yulara demonstrated healthy, albeit strongly seasonal occupancy rates, producing an average 75 percent in the dry season and 38 percent in the wet season.

Overcoming seasonality is an issue being addressed by hotel operators; new ventures in planning are countering fluctuations with all-weather facilities.

Worldwide attention was focused on the Northern Territory in the latter part of the year with the release of the motion picture *"Crocodile Dundee."* Developments planned for the territory address more closely the requirements for experiential holidays: unique territory aspects include hot, wet, bush green areas among the traditional pastoral, historical and cultural elements. Typical of such ventures are two projects planned for Stapleton National Park and Katherine Gorge National Park.

Total territory travel expenditure for 1986 amounted to $289 million, an increase of $8 million from 1985. Projections for the current year are $350 million.

Total traveler trips rose from 594,000 to 651,000, the largest increase coming from the overseas market, which almost doubled to 99,000. Average spending per night on accommodations rose from $41 to $45. Planned projects amount to $357 million, involve eight establishments and an additional 1,188 rooms.

Roger Waters
Horwath & Horwath
Adelaide

Queensland: Investment in the tourism industry is at an all-time high. Figures recently released indicate that tourist projects under construction or firmly committed in Queensland are valued at approximately $3.3 billion and would add 12,000 rooms to existing supply; this represents 45 percent of Australia's total projected investments in tourism and almost 60 percent of total anticipated additional rooms.

An additional $2.35 billion in tourist accommodations and resort development is proposed. The largest portion of this investment, approximately $1 billion, is intended for resort developments which would add 13,000 rooms to the tourist accommodation supply. Despite a booming tourist industry, hotel occupancy for 1986 averaged 56.8 percent, a 1 percent decline from 1985, according to HHI's *Trend of Business in Queensland Lodging Industry*.

Room occupancy remained static due to a 7 percent increase in hotel room supply. Coupled with a 1 percent decline

in average occupancy, this signals strong growth in demand. However, occupancy is still too low to produce profits typical of a buoyant tourist economy.

Average room rates grew 5 percent during the year, marginally less than inflation, reaching an average annual rate of $52.40.

Demand for economy hotels is currently much higher than four- and five-star properties. The average state occupancy for smaller properties with one to 40 rooms is more than 60 percent. Occupancy in budget accommodations far exceeds properties with more than 100 rooms, which in most areas experience lowest occupancy.

Establishment period occupancy of four- and five-star hotels affected overall results in Cairns and on the Gold Coast. Cairns region lost 10 percent in average occupancy during 1986, to 63.9 percent; new Cairns properties—the Ramads Reef Resort, the Rodeway Granada and the Cairns Quality Inn—collectively brought 400 new rooms to the city.

In the past, property managers have been preoccupied with operational issues, but with substantially increased room supply it is essential that operators recognize the importance of sound marketing strategies to achieve high occupancy and high profits.

Ross Woods
Horwath & Horwath
Brisbane

South Australia: Total visitor nights spent in South Australia during 1985-1986 increased 6.3 percent over 1984-1985. Most growth occurred in the interstate market where nights spent by interstate visitors rose 16.1 percent. The proportion of total visitor nights, which each market segment represented in 1985-1986, were: international, 9 percent; interstate, 40 percent and intrastate, 51 percent.

Total hotel and motel rooms sold in the year to June 30, 1986 grew 8.2 percent compared with a national average of 7.5 percent.

Hallmark events such as the Australian Grand Prix, the World Equestrian Three Day Event and Jubilee "150" focused on Adelaide, the capital city, contributed to a rise in the amount of city hotel rooms sold: 23.4 percent over 1985 figures, with an average occupancy rate of 78 percent.

A surge of building activity took place with many new ventures coming on line. Particular emphasis has been placed on experiential holiday centers, relating directly to the influence of the pastoral, historical and cultural fabric of the state.

The 400-room, $65 million Hyatt Hotel and the new Adelaide Convention Center will open this year; both compliment the interest in Adelaide as a tourist destination and convention venue.

Recent developments in central Adelaide, have shown a marked increase of activity in the pursuit of top-quality hotel facilities.

Plans are on hand for several new ventures in the four- and five-star hotel categories, which will supplement the existing supply in this area. Plans for a $160 million resort and marina development in metropolitan Adelaide are also nearing completion.

Roger Waters
Horwath & Horwath
Adelaide

Tasmania: It is expected that the tourism industry will be strong during 1987, as the state attempts to meet its goal of attracting 500,000 visitors per year by 1990. Latest available figures indicate that 315,500 visitors were received in 1984. Achievement of this goal is likely to be aided by the introduction of direct international flights between New Zealand and Hobart, and the possibility of a second ferry carrying passengers to and from mainland Australia.

In anticipation of the resultant increased visitor levels, major international hotel developments are rumored for Launceston and Devonport. Sheraton International is scheduled to open its 234-room Hobart property in early 1987, and will compete with numerous refurbished properties emerging in Tasmania for anticipated increased demand.

Average annual occupancy levels increased from 53 percent in 1984-1985 to 56 percent in 1985-1986. Room rates increased approximately 9.2 percent in the period, registering an overall average of $45.93. The increase in rate exceeds inflation for the period and reflects a market enjoying moderate growth in demand.

Kimberley Kohan
Horwath & Horwath
Melbourne

Victoria: The tourism and lodging industries are entering a phase of rapid expansion. More than $554 million of development activity was announced for Victoria in 1986, representing 2,294 additional rooms, an increase of 12 percent in the state's hotel and motel room supply. Marina projects, international hotels and tourism villages were included in these projects.

The four- and five-star lodging supply, represented by Melbourne central business district properties, remained unchanged until Hyatt on Collins opened in October 1986, increasing the rooms supply in the Melbourne central business district 22 percent, or 575 rooms.

Average hotel room rates in the Melbourne central business district grew approximately 9.7 percent in 1985-1986 to $88.35, with an 8.5 percent growth in room night demand. Average occupancy achieved by the market in 1985-1986 was 73 percent.

It is expected that this activity will continue in 1987. Fourteen major hotel and serviced apartment complexes are currently under construction or rumored within the central business district and Melbourne. These proposed properties are likely to compete within the middle and upper echelons of the lodging market and, if completed, will double first-class room supply in Melbourne.

Several developments are rumored for regional Victoria, including an inland resort complex and development of tourism projects in North East and Eastern Victoria.

A new marketing strategy, soon to be released by the Victorian Tourism Commission, coupled with numerous proposed development projects, should assist in Victoria's lodging and tourism industries growth through the ensuing years.

Kimberley Kohan
Horwath & Horwath
Melbourne

Western Australia: Last year was one of consolidation for the industry as increases in room inventory were absorbed albeit at fairly low occupancy levels.

The America's Cup competition failed to produce any significant demand in the late part of 1986, although the industry was extremely buoyant in the early part of 1987 as most hotels operated at or close to capacity.

A major feature of the year was the very strong real growth in average daily room

rates in all sectors of the market. Growth in net room rates exceeded inflation for the first time in many years.

The first-class hotel market operated at an average occupancy level of 62 percent with an average daily room rate of $80.50, a 14.3 percent increase over last year.

Perth added 337 rooms in 1986 with 235 rooms completed in Fremantle. An additional 676 rooms will be added in 1987. With the completion of these rooms, the considerable growth in Perth's room inventory seen in recent years will have ceased.

There are no new major hotel projects likely to proceed in the immediate future. The market will be looking toward absorption of the recent additions with growth from the South East Asia tourist and convention market segments.

Bob Nunan
Horwath & Horwath
Perth

From Hong Kong

Arrivals to Hong Kong increased 9 percent in 1986 and Quality Hotels reported an occupancy rate of approximately 85 percent for the period. As expected, when the market has an occupancy in the mid-80s there are additional hotel rooms planned to take advantage of these levels. Currently there are more than 7,000 hotel rooms under construction with 2,500 to 3,000 of them scheduled to open by the end of 1987. As a result, room capacity in Hong Kong is expected to increase significantly and by 1989-1990, first-class hotel rooms should exceed 26,000.

It will be difficult to maintain these occupancy levels with the increased supply and the strong competition from areas such as Kuala Lumpur and Singapore, both of which have an excess hotel supply. As a result, there will be pressure on room rates in Hong Kong. While it is estimated that hotel rack rates will increase 7 to 8 percent in 1986 with similar growth in 1987, a decline shortly afterwards will probably occur. If Hong Kong is to maintain its position it will probably have to hold the line on future rate increases.

There is no doubt that Hong Kong is a premiere destination in the Asian area, yet with Singapore and Kuala Lumpur exerting pressure, it will be extremely difficult for Hong Kong to maintain its present standing.

Clarence H. Peters
Horwath & Horwath Asia Pacific
Hong Kong

From India

Foreign arrivals exceeded the one million mark in 1986. The number rose more than 20 percent, from 837,000 in 1985 to 1,009,000. The continuing disturbed political situation in Punjab (Northern India) did not appear to dissuade tourists as in previous years. The general perception of the country appears to have improved, as those who canceled holidays to India in 1985 took them in 1986.

An analysis of the figures reveals that tourists on a repeat visit comprised 42 percent of the arrivals. The year also witnessed a shift in the type of foreign tourists. While cultural tourism still forms the largest motivating factor, there is an increasing number who spend their holidays at Indian beaches and mountain resorts. A fast-growing segment is business tourism. With India playing host to several international conferences and entering into more foreign collaborations, there has been a 25 percent increase in the movement of executives to this country.

Initial estimates indicate that British tourist traffic, the largest single component, jumped 21 percent while arrivals from the United States, the second largest group, increased 14 percent. The real surprises came from arrivals from the Soviet Union, France, Italy and Spain, which increased 50 percent. There was also a steady rise in tourist traffic from Germany, Belgium, Canada and the Middle East. Despite the encouraging growth, it is doubtful whether India can achieve the Ministry of Tourism's target of attracting 2.5 million tourists by 1990.

Another noticeable feature in 1986 was a change in the concept of lean and peak seasons for tourists. Efforts are being made to establish an annual market by reducing the high degree of seasonability; this resulted in concentration of earnings to a few months, and therefore discouraged investment in tourism. Some states in India have now accorded tourism the status of *industry,* which will provide more incentives to new hotels.

The foreign tourists' stay in the country reached 28 days, considerably higher than the world average. The foreign exchange earnings from tourism are expected to rise to $10 billion each year by the end of the century.

According to the estimate of the Director of Tourism, the present number of hotel rooms is 39,000 and is expected to rise to 54,000 by 1990.

In the midst of optimism about future growth, a foreign dignitary visiting India sounded a note of caution: "India would be losing a sizeable segment of its foreign exchange earnings brought in by foreign tourists if due attention was not given to the development of infrastructural facilities."

Vasant Raiji
N. M. Raiji & Co.
Bombay

From Indonesia

With the decline in income from oil and gas exports, tourism as a foreign exchange earner has become increasingly important to the economy and is presently the sixth-largest earner. In recognition of its importance the government has eased visa procedures and now allows foreign airlines to operate directly to Bali.

Tourist arrivals for 1985 continued the upward trend established since 1983, registering an approximate 7 percent increase over 1984. Despite this increase, however, the level of foreign tourism (749,350 arrivals) is the second-lowest among Indonesia's ASEAN members. The majority of foreign tourists are from the Pacific area.

With the downturn of the economy, particularly in the oil-related sector, and with increased room supply, hotels in Jakarta experienced a decline in room occupancy in 1986, with the average five-star deluxe hotels achieving less than 70 percent. For Jakarta hotels, 1987 may be a stagnant year with the country's economic downturn at its lowest and with elections to be followed by Ramadan. The immediate future years are not expected to show much improvement for the hotel market due to a combination of slow economic recovery and significant new hotel rooms coming on line.

Holiday tourism outside Jakarta, such as the historical towns and islands, has great potential. However, to realize this, investment in general infrastructure and marketing are needed. The ability of the Indonesian government to initiate this

remains a key factor to the expansion of the country's tourism industry.

Thiew Tan
Horwath & Horwath (U.K.) Ltd.
London

From Japan

The relative appreciation of the yen struck Japan's tourism and hotel industries, with an estimated 10 to 12 percent decline in arrivals from 1985. Declines occurred almost exclusively in the tourist sector as a result of high land transportation, accommodation, subsistence and shopping costs as well as the absence of a major event equivalent in scale to the Tsukuba Expo in 1985. As forecasted, commercial visitor arrivals remained strong despite the rising yen.

Hotel occupancy levels among Japan's major cities dropped to an average of 70 percent, less than a 2 percent decline from 1985. However, cities realizing significant international tourism generally experienced sharp declines in occupancy levels over 1985 figures. A survey of Tokyo hotels revealed an average drop of approximately 10 percent.

As a result of gains in the yen's relative buying power abroad, the Japanese outbound market is showing strong double-digit growth, a trend which is likely to continue as the sociological shift toward increased leisure time continues.

More than 30,000 additional hotel rooms are in various planning and development stages. Increased product segmentation is planned as a result of heightened competition. Hotel Seiyo Ginza, the country's most expensive hotel, is scheduled to open in the spring of 1987. It will offer 80 rooms with rates starting at US$250. Very limited new development in downtown Tokyo is anticipated in light of land costs in excess of US$15,000/square foot. However, nearly 5,000 rooms are planned for the outskirts of the city and an additional 2,500 rooms for the Tokyo Disneyland area. Other growth areas include the southern port city of Fukuoka, the northern city of Sapporo and the Kansai cities of Nagoya, Osaka and Kobe.

Construction of the New Kansai Airport has begun five kilometers off the shore of Senshu, Osaka with a projected opening date of March 1993. The 24-hour airport will have a capacity of approximatley 30 million passengers. Expansion of the New Tokyo International and Haneda airports is underway with completion scheduled for 1990 and 1993, respectively.

The medium-term outlook for hotel performance is optimistic. Although the enormous economy has slowed, growth in the service sector will spur further demand for accommodations among international and domestic users. It is projected, however, that 1987 will follow the trend of lower visitor arrivals and hotel occupancies experienced in 1986 as a result of the decreased buying power of foreign currencies in Japan.

Robert B. Stiles
TKA & Horwath Co., Ltd.
Tokyo

From Korea

Despite its limited natural resources, Korea has maintained one of the highest economic growth rates in the world and has moved from an agricultural to an industrial-based economy over the past two decades. This growing strength in the economy has translated to an expanding hotel market catering to the upscale commercial and tourist travelers. The increase in foreign arrivals has been substantial in recent years, posting increases of 8.6 percent in 1984, 10 percent in 1985 and 10 percent in 1986. Total foreign arrivals exceeded 1.5 million for the first time, primarily due to the successful Asian games held in the summer.

Growth in foreign arrivals and the increase in domestic travel have increased hotel demand in Seoul and Pusan, the two major hotel markets. Seoul, the capital and largest city with more than nine million people, experienced an 11 percent increase in hotel demand, raising the city's overall hotel occupancy over 80 percent; this increase was realized while the city's room supply increased over the last several years. Pusan, the country's second-largest city and principle port, experienced a 9 percent increase in 1986, raising the city's overall occupancy over 78 percent.

The economic success of the country has been achieved through aggressive economic planning and effective implementation. The government's emphasis on exporting and high productivity and the shift toward high technology should continue to expedite the future growth of the economy and the hotel industry. Increases in foreign arrivals are expected to continue at the same strong pace seen in the last five years. Hosting the 1988 Summer Olympic Games will increase arrivals during that time period and, more importantly, extensive worldwide media exposure will further enhance Korea's visitor growth.

Clarence H. Peters
Horwath & Horwath Asia Pacific
Hong Kong

From New Zealand

New Zealand has achieved a phenomenal 43 percent increase in visitor arrivals in the last three years. Forecasts submitted by the Tourism and Advisory Council indicate a conservative growth of arrivals through 1991.

By mid-1986, visitor arrivals from Australia decreased from 60 percent to 42 percent as a percentage of total arrivals. U.S. arrivals increased from 13 percent to 19 percent and Japanese arrivals from 2 percent to 8 percent.

For December 1986, the number of arrivals increased 14.6 percent, bringing a total for the year ended December 1986 to 733,424 visitors, up 9.5 percent over the previous year and ahead of the most optimistic projections from travel industry sources.

At year end, U.S. arrivals rose to 21 percent of all visitors, contributing to an overall growth of 25.2 percent over 1985. Japanese sources increased 24.7 percent and similar double-digit growth has been experienced from Asia, Western Europe, the United Kingdom and the Pacific Islands. The only negative factor experienced in arrivals was the severe downturn from Australia, the major holiday market.

Significant growth in the New Zealand market experienced from Northern Hemisphere countries is perceived to be attributable to a number of factors: the security and terrorist issues which prevailed during this period, particularly in the Middle East and Mediterranean regions; the America's Cup Challenge held in Perth, Australia; the exchange rate of major U.S.-backed currencies to the New Zealand dollar, plus the general positive perception of the region as a clean, unspoiled, high value destination.

Hotel occupancy in 1985 increased 3.6 percentage points to 65.3 percent for properties with 50 or more rooms. For the

second successive year, South Island hotels showed a greater growth in room occupancy than North Island properties. A decline in occupancy in a number of provincial areas was experienced in lower-quality properties. New facilities in the provincial areas generally exceeded initial projections. Room nights increased by more than 57,000 in the South Island, while available room nights increased by only 4,700.

In Auckland, total available rooms increased 7.2 percent to 67 percent. In Rotorua, occupancy increased from 57.1 percent to 58.8 percent with a 10 percent growth in available rooms. In Taupo, occupancy rose from 60 percent to 65.3 percent with no increase in available rooms. In Wellington, occupancy increased 6 percent to 62.6 percent. Occupancy in Christchurch rose from 62.1 percent to 68.3 percent with an increase in available rooms of just over 1 percent. Queenstown experienced the highest occupancy growth from 60.9 percent to 68.2 percent with no increase in rooms during this period.

Major projects currently under construction will add in excess of 2,400 rooms. Other projects in the medium-rate room category will represent an additional 900 rooms available by 1989. Estimated total licensed accommodations by 1989 will total 26,500 room (a 14.2 percent increase over January 1987). Also, some additional 8,284 rooms are planned, of which 3,000 will be located in the Queenstown/Southern Lakes area.

Key areas experiencing a surge in building activity are Auckland, Wellington, Christchurch and Queenstown. Increased interest from international hotel companies (Hyatt, Sheraton and Regent International Hotels) is having an effect on building in provincial and "new horizon" tourist areas such as the Wanaka, Te Anau, Bay of Islands, Dunedin, Hamilton, Napier and Gisborne regions.

The positive outlook for international tourism to New Zealand has generated a strong interest in new tourist facilities at gateway cities and tourist destination areas. In a number of regions, planning phases for a series of international destination resorts are underway. Incentives provided by the New Zealand government to encourage new development, particularly in the key areas of Queenstown and Auckland, are now having a direct effect on the establishment of new rooms to meet the demand forecast and are anticipated to run through to 1991.

The highest increase in room rates and occupancy growth have been in the key gateway cities of Auckland, Wellington and Christchurch, and the two resort areas of Rotura and Queenstown. The changing composition of arrivals will lead to changes in demand for both accommodations and tourist services. The tastes and expectations of Japanese and U.S. visitors, plus the average length of stay and daily expenditure of the different market segments, are now determining the speed and the investment scenario on which the new developments are proceeding. Although there is a national surge of tourist development and a high exposure of the same, attendant high capital costs and inflationary interest rates currently in force have reflected to date a cautious investment cycle following the new demand.

Based upon 1984-1985 spending patterns, additional expenditures associated with the forecasted growth will be 28 percent over 1985 figures.

Alex R. Melbourne
Horwath & Horwath New Zealand
Auckland

From the People's Republic of China

Three hundred new hotel projects have been announced in the last few years. However, most industry sources believe that no more than 25 percent of the projects will materialize and, of those projects already approved, the plan is to reduce or decrease the number of rooms.

In the areas of Beijing, Shanghai, Xian and Guilin, it appears that over capacity will occur. In Guangzhou, construction of all new hotels has virtually stopped.

It is difficult to determine reliable, revised room counts for the next few years and, because some officials are using different numbers, conflicting projections of the total number of rooms to be built range from none to several thousand. Chinese arrivals from Hong Kong and Macao increased 39 percent in 1985; the first four months of 1986 the growth was 19 percent. Foreign arrivals increased 21 percent in 1985 but actually declined 1 percent in the first quarter of 1986.

In the summer of 1985 the Bank of China reduced its maximum loan guarantee from 100 percent to 70 percent; therefore, many developers cannot locate funds to construct hotels. The threat of over capacity has also caused others to drop out of the development race. Coupled with lack of funding and fear of overbuilding is the problem of infrastructure, promised by various officials, which has not yet been put in place. New regulations and special taxes are causing difficulties for hotel development and management as well.

Since 1984 there are only 11 foreign-managed hotels in China. Five to 10 more will probably be present by spring 1987. China now has more than 300 hotels which are listed by the NTA as being suitable for overseas visitors. No list of these hotels is available, however, as each of the provinces provides the NTA with a list of hotels it considers 'suitable'. As a result, the quality of hotels considered suitable for foreign visitors varies.

According to the NTA, 60,000 additional 60,000 hotel rooms will be built between 1986-1990.

Hotel operators are still interested in operating in the People's Republic but there is a growing realization of many obstacles: much time is needed to finalize a joint venture; difficulty in obtaining financing exists, and the 80 percent occupancy levels previously experienced will most likely not occur again until the overseas market can absorb the hotels that finally make it 'on-line.'

Clarence H. Peters
Horwath & Horwath Asia Pacific
Hong Kong

From the Philippines

From 1980 through 1985, arrivals declined at an average annual rate of approximately 5 percent. This negative trend was largely reflective of the country's political turmoil. Despite drastic declines in arrivals in the first quarter of 1986, the remaining quarters experienced a strong 12 percent increase over the corresponding period in 1985, halting the annual decreases experienced in previous years.

Hotel occupancies in metropolitan Manila rose 15 percent in 1986, from 52 percent in 1985 to 60 percent. The dozen five-star hotels achieved the highest performance standard in 1986 with a composite occupancy level of approximately 63 percent.

Additions to the hotel room supply have been limited in recent years due to

political instability and low occupancy levels. Although the Ministry of Tourism has included the development of island resorts in its plans for 1987-1992, the completion of such projects is expected to extend over several years.

Corazon Aquino's constitution, which became effective in February 1987, has raised hopes of greater stability in the Philippines, thus improving the business atmosphere. Although economists expect the economy to achieve a 6 percent growth in 1987, several years of such growth will be required to return the economy to its previous level.

Clarence H. Peters
Horwath & Horwath Asia Pacific
Hong Kong

From Singapore

Because the hotel industry is facing a critical situation of overbuilding, a strong campaign has been implemented to attract events and conventions. In 1986, the Singapore Tourist Promotion Board (STPB) projected overall visitor growth at 3 percent; the projection for delegates attending conventions, however, was projected to increase by approximately 14 percent. The number of events hosted in Singapore has grown from 411 in 1983 to 487 in 1985. Of these events, 353 were meetings and conventions. It has been decided that the convention business will be the savior in futured years as it relates to developing demand for the excess hotels currently on the market.

The STPB projected a 6.5 percent growth in rooms during 1987 to approximately 24,000, and an approximate 6 percent increase to 25,000 in 1988. Strong competition exists among hotels along Orchid Road and the five newer properties in the Marina Square/Raffle City complexes. Raffle City houses Singapore's largest convention facility, covering 6,600 square meters. The two Westin Hotels in the Raffle City complex, the Stamford and the Plaza, derived more than 35 percent of their occupancies from meetings, conventions and incentive travel.

The short-term future for the country's hotels indicates a very competitive market; foreign travelers can expect good room rates at premiere hotels. The situation is not expected to change until approximately 1990, when the demand for rooms should come close to the supply.

Clarence H. Peters
Horwath & Horwath Asia Pacific
Hong Kong

From Taiwan

Taipei's lodging industry is currently in the latter stages of a difficult transition period. The most recent wave of new hotel completion, which occurred primarily between 1983 and 1985, destabilized the market while the local economy faltered and tourism levels to the Republic declined as tourists favored trips to mainland China. Although the stronger hotels have regained previous performance levels, several of the former leading properties have not been able to reestablish themselves.

The occupancy level of major first-class hotels in Taipei was 68 percent in 1986, an increase from 64 percent in 1985. The rebound in demand demonstrates significant market strength and resilience, and indicates the absorption of new properties.

Several additions to supply have been proposed but there is a high degree of uncertainty regarding their development. A 936-room Meridien Hotel, planned in the World Trade Center, could provide a boost to the city's convention appeal, but the project has been delayed. A 564-room Regent Hotel appears to be the most certain addition, planned for completion during 1988.

Although commercial business in Taiwan is expected to remain strong, tourist flows are likely to stagnate unless major steps are taken to upgrade strategic destinations around the Republic. Decreases in arrivals in the near future may be partially offset by development of Taipei as a convention destination. The recent opening of the Exhibition Complex signals the first phase of the World Trade Center, which is planned to include an administration building, a major hotel and convention center. Unfortunately, considerable delays to the project will extend its scheduled completion until at least 1990.

Clarence H. Peters
Horwath & Horwath Asia Pacific
Hong Kong

From Thailand

Tourism is the economy's largest foreign exchange earner; in 1985, the industry contributed approximately $1.2 billion to the economy. Approximately 2.4 million tourists entered Thailand, staying an average of five and one-half days and each spending approximately $500. Projections indicate the number will probably increase 8 percent to 2.6 million arrivals in 1986 and 2.9 million by 1987.

Approximately 65 percent of the arrivals are from the Asian Pacific region. Nineteen percent of the balance is comprised of Europeans and a small percentage are Americans, who are greatly valued because they spend an average of $130 each day. The number of American tourists was 171,000 in 1985 and was expected to reach 200,000 in 1986.

Thailand suffers from a current state of over building, as do other markets in the area. In the early 1980s and into 1985, the glut of hotel rooms caused bottom line profits to shrink appreciably. In 1986 the industry attempted to recover by increasing room rates 5 to 10 percent; this was not well received by the traveling public.

The Tourism Authority of Thailand (TAT) has increased its budget from $5.6 million to $8.7 million and additional funding has been provided to attract visitors to the country. In addition to the government's positive moves aimed at encouraging tourism, additional foreign airline service on international flights were granted landing rights in Thailand and more domestic resort areas were opened to air traffic in 1986.

Clarence H. Peters
Horwath & Horwath Asia Pacific
Hong Kong

NORTH AMERICA

From Canada

General Comment: The performance of the Canadian economy in 1986 weakened substantially, with GDP growth slowing to a 1.8 percent pace from 4 percent in 1985. Canada's economic growth declined significantly when compared with other major industrial nations. This erosion is due to the combined effects of higher taxes, reduced export sales and a temporary surge in interest rates as the Bank of Canada attempted to bolster the Canadian dollar.

Economists anticipate a turnaround in the economies of Western Europe and continued growth in the United States. As a result, Canada is expected to experience

increased economic activity in 1987; GDP is estimated to grow 2.5 percent.

The modest, sustained growth predicted for the Canadian economy in 1987 is, to a large extent, dependent upon the anticipated rebound of Canadian export sales to the United States and overseas markets, as well as continued growth in consumer expenditures.

Calgary: The recent depression of world oil prices has impeded Calgary's recovery from the recessionary effects of the early 1980s. The future economic outlook for the city, however, is positive, evidenced by the increased value of building permits and the decrease in office vacancy rates. While the current economic climate does not suggest dramatic improvements in the hotel industry, it does suggest that without large increases in the room supply, existing hotels should continue their present performances.

A significant increase in the room supply in downtown Calgary occurred when the city's economy prospered as a result of the boom in the oil and gas industry. However, the supply of rooms has remained stable during the past five years. As a result, occupancies have slowly increased since 1983. Our sample achieved a marginal increase in occupancy in 1986, resulting in a market occupancy of 57 percent. Calgary had the lowest market occupancy within the sample.

Calgary hotels experienced real growth of approximately 6.1 percent in average room rate in 1986.

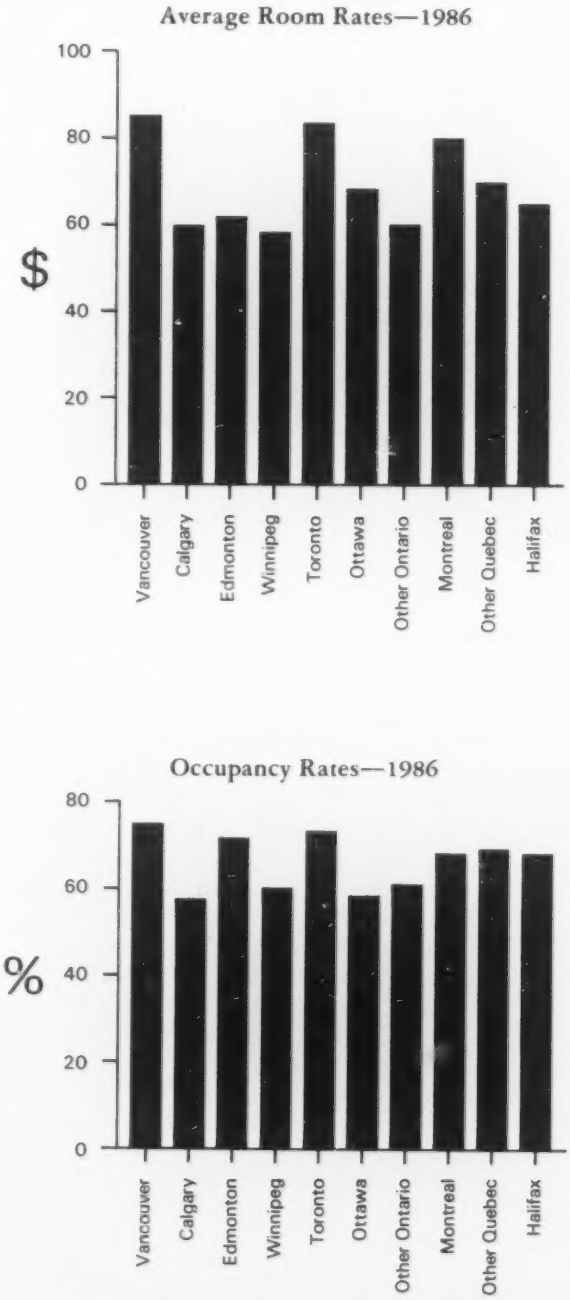
Edmonton: The province of Alberta began the slow recovery from early 1981 and 1982 post-National Energy Program declines by rebounding somewhat in 1985. However, the effects of world oil prices, particularly in early 1986, caused another setback in Alberta's economic recovery.

Hotel occupancies in major downtown properties remained stable during 1985. There is no question that the removal of the Hotel MacDonald from the downtown first-class inventory aided the remaining first-class properties in achieving a 3 percent growth in occupancy in 1986. However, the market average room rate growth of 5 percent over 1985 barely exceeded inflation.

Halifax: Halifax is the center of finance and government for Atlantic Canada. While the supply of hotel rooms increased significantly since 1984, demand kept pace in the first-class market in 1985. However, with the addition of the Sheraton and Prince George Hotels to the high end of the first-class market in 1985 and 1986, respectively, the annual market occupancy decreased approximately 6 percent to 68 percent, while the average room rate increased 5 percent.

It is unlikely that future increases in demand will keep pace with increases in supply. It is anticipated that this market condition will continue for the remainder of this decade.

Canadian Average Room Rates and Occupancy Rates—1986



Montreal: Montreal is showing strong signs of renewed and continued growth. The population is rising, building activity is strong, real estate values are increasing dramatically and tourism and convention activity is increasing. All of the above indicate a positive outlook for the lodging industry in Montreal.

Room demand has steadily increased since 1982 and is projected to do so for the remainder of the decade. Our Montreal sample achieved a 68 percent market occupancy for 1986, representing no change from 1985. Average room rates increased 10 percent to approximately $76.

Ottawa: As the nation's Capital, Ottawa's economy and hotel industry are impacted most directly by the Federal government. During the past several years, a new force has emerged in the Ottawa economy: the growth of high-technology manufacturing and service industries. The Commercial and Industrial Development Corporation estimates there are 467 high-technology firms in Ottawa, located primarily in the west suburbs (Nepean and Kanata), which have become known as Silicon Valley North.

The occupancy rate of first-class properties was approximately 62 percent in 1985, and decreased to 58 percent in 1986. During the same period, the Ottawa samples' average room rate increased 4.5 percent, from $63.87 in 1985 to $66.75 in 1986.

It is anticipated that the market occupancy will experience limited growth during the remainder of the decade, due to a proposed increase of approximately 560 hotel rooms.

Ottawa is reported to be one of the highest—if not the highest—priced cities in Canada for accommodations. However, aggressive discounting and corporate, government and group rates, which are considerably lower than rack rates, have resulted in average room rates lower than Toronto and Montreal. Because of currently high rack rates, government fiscal restraint on expense accounts and a change in the mix of rooms with the addition of lower-priced hotels, we expect that average room rate growth in Ottawa will not exceed inflation in 1987.

Toronto: A notable factor in Toronto's downtown lodging market is the renovation and upgrading which has recently taken place, particularly in first-class hotels. Properties such as the Four Seasons, Westin, Harbour Castle Hilton, Sheraton, King Edward and the Royal York have all invested in upgrading their facilities.

Occupancy was approximately 71 percent in 1985, and our sample achieved an increase of approximately 3 percent in 1986, resulting in a market occupancy of 73 percent. The Toronto sample's average room rate increased approximately 9 percent in 1986.

Vancouver: The economy has been depressed since 1982 when the province of British Columbia experienced a substantial 5.8 percent decline in real economic growth. Since then, growth has been slow but positive.

In 1985, Vancouver's occupancy rate was approximately 69 percent with an average room rate of $61.54. Expo '86 resulted in extraordinary annual growth in Vancouver's market occupancy and average room rate, approximately 9 percent and 38 percent, respectively. Demand will decrease and room rate discounting is expected now that Expo '86 is over. It is anticipated that these trends, coupled with the recent additions to supply, will cause the Vancouver hotel market to return to its 1985 levels or lower.

Winnipeg: Winnipeg is the focal point of Manitoba's agricultural activity and headquarters of the grain industry in Canada. Agricultural-related industries form a major portion of Winnipeg's industrial base. The various levels of government remain the largest contributors to the local economy and are the largest employers.

The lodging market has been in a state of reorganization since the opening of the 286-room Sheraton in June 1985. Since then, 241 additional hotel rooms have been added to the market and, as a result, Winnipeg has experienced declining occupancies and no real growth in average room rate.

City-wide occupancy was approximately 62 percent in 1984 and 64 percent in 1985. The 1986 year-end occupancy level of 60 percent is significantly lower than the 1985 level, representing a decrease of approximately 6 percent. Average room rate was $57.88 in 1986, approximately 3 percent higher than in 1985.

Joel Rosen
Laventhol & Horwath
Toronto

From Hawaii

Tourism in the Hawaiian Islands reached record levels in 1986. According to the Hawaii Visitors Bureau, total annual visitors to the islands exceeded five million for the first time in November, and by year-end Hawaii had welcomed 5.6 million visitors. This total represents a 14.8 percent increase over 1985. Other records were set in 1986, including: more than four million westbound visitors; more than three million visitors to Oahu; more than two million visitors to Maui, and more than one million visitors to Kauai.

On the neighboring islands of Hawaii (the Big Island), Kauai and Maui, total visitors increased 12.8, 21.9 and 9.3 percent, respectively. These healthy rates highlight the growing interest in the Big Island and Kauai, and demonstrate Maui's continued popularity. Maui's growth rate continues to be impressive in light of its higher base of visitors and the limited availability of accommodation due to high occupancy levels.

Statewide, hotel and resort condominium occupancy levels and average daily room rates increased significantly in 1986. Facilities on all islands experienced these increases, with the strongest growth in occupancy levels and average daily room rates occurring on Kauai and Maui, respectively.

Hotel construction is underway on all islands. Major projects include the Waikiki Parc on Oahu, The Westin Hotels on Maui and Kauai and the Hyatt Regency Waikoloa on the Big Island. Additional projects are under construction and numerous hotels and resort condominiums are in the planning stages. The majority of new hotel development is expected to occur at master planned resorts. Tremendous interest is centered on the Kohala and Kona coasts of the Big Island, where numerous developers are seeking approvals for new destination resorts. Development emphasis continues to focus on upscale resorts that can command high average daily room rates.

Craig Mueller
Laventhol & Horwath
San Francisco

From the United States

Figures from Laventhol & Horwath's monthly Trend Survey indicated 64.7 percent occupancy during 1986, a slight 0.5 percent increase from 1985. This small increase was unexpected since occupancies were projected to decline after large additions to the room supply in recent years. The drastic fall in gasoline prices and airline price wars, which were unforeseen at the start of the year, lowered the cost of transportation and boosted domestic travel and, thus, hotel occupancies. Terrorist activity throughout parts of Europe, including popular destinations of U.S. citizens, deterred some Americans from traveling abroad and encouraged domestic travel.

Regionally, occupancy rates were highest in the Northeast portion of the U.S., due in part to the high population density and cities such as New York and Boston, which are popular tourist destinations as well as central business centers. Conversely, occupancy rates continued to slump in the South Central area where the economy and the hotel industry have been plagued by a sluggish oil market.

The U.S. lodging industry is currently facing major challenges resulting from the radical strategic redirection that has occurred within the industry during the past several years. Among these challenges is the adaptation of the Tax Reform Act of 1986, which will require financial consolidation and reorganization, and the need to absorb flat occupancies and sluggish room rates, a result of major additions to room capacity. This will require operators to place a heavy emphasis on operational improvements.

Specifically, the Tax Reform Act of 1986 will have a strong influence on the industry because of real estate provisions negatively impacting hotel development. These provisions include elimination of investment tax credit, reduction of tax credit for historic buildings and elimination of special capital gains treatment on the sale of assets.

The increasing availability of improved information systems technology is integral to significant improvement of operations. Although new technology can never replace the human touch necessary for quality service, the application of state-of-the-art information systems to hotels can assist management in identifying consumer desires and maximizing the results of a target-marketing program.

The hotel industry is also faced with the need to implement training programs designed to maximize skills at all levels in order to combat rising costs, flat occupancies and moderate price increases.

With this in mind, projections for the industry in 1987 are:

	1987	1986	Change
Occupancy	64.7%	64.7%	—
Average Rate	$64.05	$61.95	3.3%
Industry Revenues (billions)	$45.7	$43.1	6.1%
Number of Rooms (millions)	2.88	2.82	2.1%

Saul F. Leonard
Laventhol & Horwath
Los Angeles

EUROPE

From Europe

General Comment: 1986 was an eventful and volatile year for the travel industry. After an optimistic beginning, when arrivals from the United States—Europe's largest single market—reached an all-time high in January and February, Europe was shaken by a series of terrorist events, the Libyan bombings and the explosion at the Chernobyl nuclear plant. Would-be travelers—particularly Americans—canceled trips to Europe. However, despite significant decreases in the region's major markets, the final result was not as severe as originally anticipated. According to official estimates, international arrivals to Western Europe increased 1.3 percent in 1986 compared with the previous record-breaking year; there was a total of 227.5 million international arrivals to Western Europe in 1986. Europe receives and generates more tourists than any other part of the world and tourism receipts in 1986 increased approximately 6 percent.

According to estimates by the European Travel Commission, a total of 4.9 million visitors from the United States crossed the Atlantic in 1986, representing a 23 percent decline from 1985. Tourism receipts declined U.S.$1.2 billion from U.S.$6 billion reported for 1985. These statistics reveal 1986 was the third-best year for U.S. tourism in Europe.

Eastern Mediterranean countries felt the absence of U.S tourists more severely; Greece reported a 50 percent decline and Italy experienced a 35 percent decrease, with four- and five-star hotels reporting business down by as much as 75 percent in the tourism centers.

The Canadian market declined 5.5 percent compared with 1985 and expenditure decreased 1.1 percent, as 1986 was the second-best year for Canadian arrivals to Europe.

Arrivals from Japan increased 8.3 percent as nearly 600,000 Japanese tourists visited Europe. Perhaps this is an indication that Japan will now become the long-anticipated growth market for Europe. Latin America was a strong market as Brazil and Argentina exhibited growth rates between 30 and 35 percent.

Air fares: The prospect of lower air fares for millions of European travelers was recently raised again. At a meeting of the European Commission in March 1987, the European Council was given until June 30 to reach an agreement on the liberalization of Europe's airline competition.

Growth in the number of passengers in Europe from 1981 to 1985 was only 10.3 percent compared with 36.2 percent in North America, where 91 percent of the miles flown by passengers in 1986 were on discount fares, approximately double the figure for Europe. Comparable fares on routes within Europe are estimated to be 15 percent to 20 percent higher than those in deregulated America, even when allowance is made for higher European operating costs.

The Commission informed the transportation ministers of the EEC's 12 member countries that if they fail to agree by June it would withdraw draft regulations excluding airlines from the full competition rules of the Treaty of Rome. The transport ministers have set a deadline of 1992 for their countries' airlines to compete with one another. Whatever the outcome, it is unlikely that the situation will change suddenly. It is probable, however, that within two to three years, passengers will be able to choose from a wider range of weekend flights to European destinations at more competitive prices.

Holiday trends: Most West Europeans enjoy substantially lengthier paid leaves than Americans or Japanese. Five or six weeks annually are not unusual, except perhaps in the United Kingdom; West Germans have probably the longest, amounting

to seven to eight weeks annual holiday entitlement, including public holidays.

In comparison, annual leave in the United States (depending on length of service with a company) tends to vary from approximately 13 days initially to three weeks (after five years of service) or four weeks (after 10 years of service). This leads to several tourism implications: Those countries with shorter leaves (e.g. the United Kingdom) will tend to catch up; more prominent holidays will see long-haul destinations, and more short holidays will be taken within the region or domestically.

Prospects for 1987: Signs for 1987 are optimistic. Many European countries, particularly Italy and Greece, have made substantial attempts to rebuild the U.S. travel market. Barring unforeseen terrorist incidents, the shift away from security concerns will continue. The weak dollar may, however, hurt Europe's chances of a complete recovery in 1987. An incentive trip to Europe in 1987 will be 30 percent more expensive than last year, which was already substantially more than in 1985.

The European Travel Commission forecasts a 5 percent annual growth in visitors traveling to Europe until 1990. American Express has forecasted a 10 percent increase in U.S. travelers to Europe in 1987.

Early indications for 1987 show a U.S. market undeterred by the slump in the dollar, less worried about terrorism and returning to Europe. Bookings for luxury hotels and low-price packages are reported to be increasing between 15 to 20 percent, according to travel industry sources in the U.S.

Airlines and travel agents are reporting Scandinavia and Britain as the top U.S. choices for this year and are considered particularly 'safe' destinations; Britain also enjoys the language advantage. Switzerland has forecasted a 5 percent to 10 percent increase in U.S. visitors, with only a slight increase in European visitors. Spain anticipates a 2 percent increase in arrivals. Both Greece and Italy are more uncertain and pessimistic regarding prospects for 1987. France also predicts a slow and uncertain return to previous tourist volumes. Japanese-derived tourism seems likely to continue to expand and become an increasingly meaningful market.

Intraregional tourism within Europe should continue to expand, reflecting the long holiday vacations and strengthening economies. Spanish outgoing tourism in particular can be expected to grow during the remainder of the decade.

Jonathan A. Bodlender
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London

From Austria

After a period of continuous decline in the number of overnight stays experienced since 1980, Austria finally reversed this trend and experienced a small 1 percent growth in 1986.

Much of the growth, however, was in the domestic market with the number of foreign overnight stays increasing only 0.3 percent. It is in the four- and five-star market that growth has been the most encouraging, with hotels in this sector experiencing a 2.5 percent growth in 1986 compared with 0.8 percent in three-star hotels, and a decline of 1.4 percent in lower categories of accommodation.

In recent years, the Austrian tourism industry has suffered from a number of unrelated incidents: the terrorist attack on Vienna Airport in 1985, the controversy surrounding the Presidential elections in 1986 and the relative proximity of the country to the Chernobyl nuclear accident. These factors, and the continuing rise in the exchange rate, particularly against the U.S. dollar, have resulted in an unprecedented decline in the number of American tourists to the country.

In 1986 this decrease resulted in a downward spiral of room rates in the four- and five-star hotels, which have traditionally relied heavily on the U.S. market, particularly in the summer months.

The increased level of investment in overseas promotion of the country by the Austrian National Tourist Office, however, appears to have paid off with the first increase in the number of foreign overnight stays in many years. It also has succeeded in reversing the decline in the number of arrivals from West Germany, Austria's principal generator of tourism demand.

Although a small growth in demand has been recorded for 1986, this has been accompanied by a continued decline in the average length of stay as Austria continues to become a more popular destination for short stay holidays, often combined with a visit to a nearby country.

Despite the disappointing results of recent years, many international hotel chains still show interest in Austria, particularly in Vienna, the capital. Hilton Hotels' second hotel in the city, the 230-room Hilton Plaza, is due to open by the end of 1988, and other projects in the city include a 300-room Ramada Hotel, a 350-room Scandic Hotel and two projects developed by domestic operators: the 500-room Hotel Ananas and the 250-room Austrotel. Renovation of existing properties also continues with refurbishment currently under consideration for the Palais Harrach and the Grand Hotel in Vienna.

Overall, there are proposals at varying stages for the development of more than 5,000 new hotel beds in the city by 1989. In Salzburg, a 75-room Austrotel is due to open in July 1987. Other international hotel chains about to establish or expand their presence in Austria include the French Accor Group (planning Mercure and Ibis Hotels in Salzburg and Innsbruck) and a Sheraton Hotel due to open in Innsbruck in June 1987.

The increase in supply of hotel accommodations, particularly in the four- and five-star market, does, however, point to a serious level of oversupply in the short term in cities such as Vienna unless there is a considerably greater growth in demand than that experienced to date. Forecasts for growth in demand for hotel accommodations in Austria in the short term are moderate.

To recoup the decline in demand from the American market, and in order to level the peaks and troughs in demand which are experienced due to the high level of seasonality in Austria, tourist authorities have taken active steps to promote growth in a variety of other markets including the Far East, and have rescheduled the timetable of many cultural events to offer a wider variety of cultural attractions in the winter season. In order to compensate for the fall in numbers and shorter lengths of stay experienced in recent years, the authorities are also trying to encourage a higher quality of tourism by increasing the average spending of visitors to the country.

Günter Cerha
Auditor Treuhandgesellschaft M.B.H.
Vienna

Trevor J. Ward
Horwath & Horwath (U.K.) Ltd.

From Denmark

The Danish lodging industry reported a 0.4 percent increase in demand in 1986, totaling 8,797,000 bednights. Foreign visitors represented 49.4 percent of this demand, and future demand is expected to grow in business and leisure travel.

Concrete development plans were made for major hotel projects in Copenhagen in 1986, since the municipality has selected possible areas for new hotels and invited developers to submit proposals. An increasing number of hotels, particularly in major cities, offer bargain prices and include holidays in and out of the peak season. Such offers confirm Denmark as an inexpensive, quality country. Lower interest and inflation rates should stabilize prices in the coming years.

Jorgen Børresen
Revisionsfirmaet Askgaard Olesen
Copenhagen

From Finland

A weakening growth in lodging demand occurred in 1986. The total number of room nights increased less than 2 percent; the decline in foreign demand was approximately 3 percent and domestic room nights increased more than 3 percent.

This weakened demand was most obvious during the May to August period when foreign room nights decreased nearly 10 percent and domestic demand increased only 1 percent. This was partially due to several strikes and the Chernobyl incident in the spring. The greatest drop in the number of foreign arrivals were registered from the United States, Canada and Japan.

Room capacity in Finnish hotels increased approximately 4 percent from the previous year. This was greater than the growth in demand and was followed by decreased occupancies. Room occupancy in 1986 was 54.1 percent, 1.3 percentage points below the 1985 level. This weakening was evident in Helsinki hotels where the drop was from 69.5 percent in 1985 to 65.6 percent in 1986.

Average room rates increased 7.2 percent; the negative impact of the drop in occupancies was eliminated.

Domestic travel has grown nearly 50 percent in the 1980s. However, the increase of tourists from Finland abroad has been much greater. It is anticipated that these trends will continue due to the forecast for economic growth and increasing consumer purchasing power. The loss in the Finnish tourist balance should also increase in the future. This type of development is probable, especially if the real price of oil remains low and cannot be essentially changed by the possible slight growth of foreign tourism to the country.

Heikki Lankinen
Hotel and Restaurant Council
Helsinki

From France

The growth rate of foreign arrivals to Western Europe declined significantly during 1986, due to the sharp contraction of the North American market. The French tourism industry suffered from a combination of adverse factors, which cumulated with the negative impact of the decreasing value of the U.S. dollar.

Preliminary overall estimates for 1986 indicate a 25 percent decrease of the tourism balance surplus and a 17 percent decline of overnight hotel stays. In strong contrast with 1985, last year's results fully confirmed the pessimistic projections formerly made by travel and hotel trade representatives; foreign arrivals at Paris airports decreased 2 percent.

The decline in demand for tourist accommodations was particularly pronounced in Paris, which focused most of the effects on political unrest, strikes, student demonstrations and terrorist bombings. This resulted in a wave of cancellations which affected all market sectors, and in a sharp reduction of the most sensitive segments of clientele, essentially from the United States.

Due to such occurrences, upscale hotels were deprived of their essential market contributors and faced a recessionary climate which resulted in a drastic reduction of their level of activity. Occupancy fell from an areawide rate of 74 percent in 1985 to approximately 57 to 60 percent in 1986. The market disruption was particularly felt in the summer months.

Plans to reactivate marketing efforts, especially toward European markets, were developed in an effort to maintain occupancy, or at least slow the declining trend. Most of these efforts were disjointed, however, and the first quarter of 1987 did not show encouraging signs.

Three-star properties were also hit by the recessionary situation. They experienced a significant decline in occupancy levels; economy-class hotels barely maintained their previously achieved occupancy levels. This situation resulted in a deterioration of the overall profitability level of hotel operations, in spite of significant staff reductions. During 1986 the government lifted all remaining controls on the tariffs of one- to three-star properties, allowing all hotel categories to develop more creative pricing and investment policies.

The prospect for 1987 remains uncertain, but it is generally accepted that the return to previous levels of activity will be gradual. In spite of the unfavorable climate which still prevails in the industry, tourism developments are currently taking place and thousands of new hotel rooms are planned for construction, primarily as medium-class accommodations.

The surge of the new recreation and leisure industry was evident in 1986. Several new leisure park concepts are in development or planning stages, and five large-scale theme recreation parks are either under construction or about to start construction.

The agreement of the Euro-Disney Park project—a $US3.5 billion development plan—was reached in the spring of 1987 and construction should begin soon. This project includes the development of several thousand new hotel rooms.

Sixty new golf courses are currently under construction throughout the country and 70 others are in the planning stages. Plans for 400 more are being studied, enhancing the emergence of the country as an international golf destination.

René Amirkhanian
Horwath & Horwath France
Paris

From Greece

Taking into consideration that the odds were stacked against the tourist industry this year because of highjackings in the Middle East and the bombing of Libya, the statistics released by the National Tourist Organization showed an increase in tourist arrivals of approximately 3 percent over 1985. Arrivals in 1986 totaled 7.2 million versus 7,039,000 in 1985.

Europeans accounted for 87 percent of total arrivals, an increase over the 82 percent reported in 1985. Arrivals from

North and South America amounted to 5.2 percent, a decline from the 9.4 percent achieved in 1985. The 45 percent decrease in the amount of American tourists had a substantially adverse effect on the major hotels in the capital. Although the North American sector accounts for approximately 7 percent of total arrivals in normal years, the total foreign exchange earned from this group accounts for approximately 30 percent of the total foreign exchange earnings from tourism in any one year.

Certain areas, outside the Athens area, have shown major increases in tourist traffic: Halkidiki, 30 percent; Ionian Islands, 20 percent; Rhodes, 8 percent, and Crete, 7 percent. An approximate 30 percent decline in tourist arrivals occurred in and around Athens.

Arrivals for cruise holidays on the Greek islands showed a decrease of 45 percent, as cruise operators are redirecting their vessels in other areas such as the West Indies, Caribbean, Alaska and the Pacific Basin.

The tourist industry is by far the country's major currency earner, representing approximately 29 percent of the country's total foreign currency earnings. Total foreign earnings for 1986 are estimated at US$1.8 billion, a 26 percent increase over 1985. It is estimated that, in 1987, a 12 percent increase will occur over 1986.

There was no overall growth in the number of roomnights from 1985, although the Attica area showed a decrease of 19.4 percent.

Prospects for 1987 do not appear very positive. Although the trend from hotel bookings for the season are optimistic, these are mainly for lower-category hotels rather than luxury and class-A hotels.

Spiros Logothetis
Alexander, Young & Co.
Piraeus

From Hungary

Hungarian tourism experienced a good year in 1986, though several factors—international terrorism and the Chernobyl nuclear accident—had a disturbing effect on the industry.

Tourism revenue increased 6 to 7 percent, or 28 percent over the previous year, reaching U.S.$364 million. The ruble accounting returns increased 2 percent and, according to preliminary data, amounted to 389 transferable rubles.

The balance of international tourism showed a considerable surplus, closing with 272 transferable rubles and U.S.$199 million.

These favorable results were primarily due to a number of successful international conferences and the improvement of the market for tourist enterprises.

In 1986, 16.6 million foreign arrivals visited Hungary, a 10 percent increase over 1985. Foreign guest turnover at commercial accommodations rose 1 percent. Arrivals from ruble-paying countries totaled 10.9 million, a 6 percent increase. At this rate, the tourist flow rose 8 percent, but length of stay declined from last year; use of commercial accommodations increased 10 percent.

The 4.1 million arrivals from capitalist countries was a 9 percent increase from 1985. The length of stay remained constant with the previous year's levels.

Approximately 2.4 million visitors from Austria visited Hungary in 1986, a 19 percent increase over 1985; arrivals from the Federal Republic of Germany amounted to 860,000, a 4 percent decline from the previous year. There was a 20 percent increase in traffic from Italy, 17 percent more arrivals from Scandinavian countries and 5 percent more arrivals from France in 1986. The rise in traffic from Scandinavia was due to the 'no visa' agreement between Hungary and Sweden.

In comparison with previous years, the number of guest nights increased and tourists spent more money.

Approximately 6.3 million Hungarian tourists traveled abroad in 1986—a 14 percent increase—which accounted for 35 million guest nights; their spending increased 6 percent.

In 1986, 900,000 Hungarians traveled to capitalist countries, a 16 percent increase over 1985; 4.8 million Hungarians traveled to ruble paying countries, a 14 percent increase.

Dr. T. Jenei
Pénzügyi Szervező és Tanácsadó Vállalat
Budapest

From Ireland

Total foreign tourism revenue in 1986 was 6 percent (£28 million) lower than 1985, a result of a 3 percent decline in foreign arrivals. This was largely due to a 19 percent decline in the number of American arrivals.

Revenue from the American market declined £40 million from 1985, yet considering increased earnings from other markets, the net result placed 1986 earnings £53 million ahead of 1984.

The 19 percent decline in American arrivals was not as drastic as the anticipated 25 percent. This indicates that Ireland performed better than many European destinations in attracting Americans in 1986, and it has increased its share of American travelers to Europe for the second consecutive year.

Total revenue from the British market declined 1 percent in 1985 although the 1.1 million arrivals was a 1 percent increase. The number of arrivals from Britain was larger for specialist fishing and sports holidays, while numbers of package holidays remained consistent with 1985 levels.

For the first time in many years, air and sea fares between Britain and Ireland became competitive with those to most other neighboring destinations in northern Europe and it is expected that the full benefits are yet to be seen.

Spending by Continental European visitors increased 9 percent in 1986 and a 1 percent increase was recorded in the number of visitors.

The European market experienced a 2 percent increase in the number of German visitors and a 5 percent decrease in French visitors.

There was promising growth in some of the 'newer' markets such as Italy and Scandinavia. Revenue from Northern Ireland arrivals remained constant in 1986 at £36 million, however revenue from domestic holiday travelers declined 20 percent to £216.6 million.

Geoff S. Parkinson
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From Italy

The Italian hotel market experienced a sudden drop in North American tourists in 1986, which is attributed to crises in the Mediterranean region and the devaluation of the U.S. dollar. Luxury-category hotels were most adversely affected by the drop in North American tourists; bed nights reached approximately 60 percent in the larger Italian cities.

Attempts to make up for the decreased

numbers of U.S., Canadian and Japanese tourists with European tourists were met with limited success, and foreign tourism to Italy in 1986 decreased 4 percent. However, the domestic market made up for this decrease.

A new national triannual agreement for hotel workers was reached in 1986, and it has been met with approval by the industry.

Due to the devaluation of the U.S. dollar, forecasts for 1987 are still pessimistic, and hotel tariffs are expected to increase approximately 40 percent for the U.S. market.

Massimo de Rosa
Horwath & Horwath Italia Sas
Rome

The Netherlands

The tourism industry has played a significant role in the growth of the Dutch economy. There has been consistent growth in the number of arrivals to the Netherlands, a trend which is enhanced by continued improvements in transportation to the country and within it, as well as the variety of tourist attractions.

Although tourism statistics are not yet available for 1986, the volume is expected to match the 1985 level despite the substantial withdrawal of the North American market last summer; this was caused by such negative factors as the Chernobyl incident, the weakening of the U.S. dollar and threats of international terrorism in Western Europe. Expansion of other western European markets is envisaged to compensate for the loss of the North American market.

Considerable current interest in hotel development within the Netherlands has been expressed, particularly in the major cities of Amsterdam, The Hague and Rotterdam. Amsterdam has dominated the headlines with its potential oversupply situation. The Amsterdam Holiday Inn Crown Plaza recently opened and Golden Tulip Barbizon Palace is under construction. Other significant proposed projects include major hotel chains such as Meridien, SAS and Hyatt. Similar hotel proposals are prevalent in and around Rotterdam and The Hague, including two Holiday Inn hotels, a Golden Tulip hotel and other Dutch-affiliated hotels. With the potential oversupply situation in Amsterdam, hoteliers in the city are undertaking more extensive marketing efforts to increase the market. While this is essentially a private sector initiative, support from central authorities would be needed simultaneously to ensure greater levels of success.

Despite the unsuccessful bid to host the 1992 Olympics in Amsterdam, the future of the Dutch tourism industry looks bright. The product is attractive and offers a wide variety of unique holiday packages. An upgrading program of the tourism product has been initiated, such as the current development of the 'waterstadt' (waterfront marina, hotel, restaurants, apartments) in the 'old town' of Rotterdam. However, careful coordination and marketing are essential.

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From Norway

Norwegian hotels experienced a 2 percent decrease in the number of bed nights. The winter totals increased 6 percent while the summer figures decreased 7 percent. With regard to individual categories of establishments, those in towns decreased 2 percent and those in the country declined 3 percent; tourist and mountain hotels remained constant.

The proportion of foreign bed nights decreased from 31 percent in 1985 to 28 percent in 1986. This decline has been particularly evident in a 36 percent decline in traffic from the United States, a 19 percent decline from Great Britian and a 6 percent decline from Denmark. These decreases represent a combined total of 352,000 bed nights. Major causes of the decline in foreign arrivals are the Chernobyl nuclear incident and fear of terrorism.

In spite of this reduction in bed nights, turnover is expected to increase approximately 11 percent due to higher prices and partly due to wealthy guests, including Norwegians. The average increase in prices in Norway was approximately 7 percent in 1986, and it is assumed that hotel prices have risen accordingly.

Prospects for 1987 are rather uncertain. After a period with a highly expansive economic policy and strong growth in both private and public comsumption, 1987 will see the introduction of economic restrictions due to the fall in oil prices, a lower rate for the dollar and a high level of inflation. We can therefore expect stagnation in the public sector and a reduction in demand from the private sector, which may well lead to a decrease in the demand for hotel services in 1987.

Andreas Rodven
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From Portugal

Confirming what was forecasted, 1986 proved to be one of the best years for tourism in Portugal.

The number of foreign visitors to Portugal exceeded 13 million, an increase of 11.7 percent over 1985, a growth rate very much in line with the national tourism plan targets.

Although Spanish visitors comprise the greatest number of arrivals (almost 76 percent of the total number of foreign visitors), the number of British arrivals exceeded one million for the first time, an increase of 21.4 percent over 1985. Demand from other nations also exhibited significant growth: Germany (4.2 percent), Denmark (26.2 percent), Finland (28.1 percent), Norway (10.3 percent), Sweden (28.2 percent), Switzerland (8.7 percent), Argentina (33.4 percent), Canada (5.1 percent), Brazil (19.3 percent) and Japan (16.3 percent).

These increase compensated for the fall in demand from the U.S. market (down 31.7 percent over 1985), reflecting the trend experienced by Europe as a whole. The U.S. market now accounts for only 1.1 percent of total arrivals.

Income from tourism as registered by the bank of Portugal to October 1986 totaled $1.295 million, an increase of 41.1 percent over the same period in 1985.

The overall rate of occupancy achieved by all categories of hotels in 1986 was 63.9 percent (70.5 percent in the Algarve, 68.1 percent in Lisbon and 82 percent in Madeira). These results are similar to those achieved in 1985 despite the recent opening of several large new hotel units: Meridien Hotels in Lisbon and Oporto, Sheraton in Oporto and Novotel in Lisbon, among others.

Investment in tourism remained buoyant in 1986 with 190 applications received for government grant financing by the Fundo do Turismo. Of these, 137 projects were approved with a total investment value of $100 million. However, despite the availability of financial support, many projects do not apply and

this figure is therefore considerably understated.

This trend of new investment in tourism is forecast to continue in 1987 with several new hotels opening. Among them: Hotels California, Navigator, Marinotel and Marina Dom Pedro in the Algarve; Hotel Lisboa in Lisbon; Madeira Beach Club in Madeira, and Hotels Baia and Monte Palace in the Azores.

Humberto Leal
Arthur De Haast
Horwath & Horwath (Portugal)
Lisbon

From Spain

Spanish tourism experienced record years in 1984 and 1985 with 42.9 and 43.2 million foreign arrivals, respectively. But 1986 exceeded all forecasts with 47.4 million arrivals representing an increase of 9.6 percent compared with 1985. Tourism revenues increased 47.9 percent, exceeding $12 million.

The beginning of 1986 was unsteady in the Mediterranean region because of the Lybian crisis and terrorist activities, which affected Madrid in particular. The decrease in American arrivals (22.8 percent) was offset by an increase in British arrivals (27.7 percent). The United Kingdom market remains the largest tourist generator for Spanish resorts with 34.2 million overnight stays, followed by German tourists with 24.7 million overnight stays.

Although the outlook for the hotel industry remains steady, the official objective for 1987 is to increase arrivals by 2 percent.

The decision by the Comité Olympique International to declare Barcelona an Olympic City for the 1992 Olympic Games has prompted a rush of foreign hotel chains to invest in Barcelona property before the 1992 Olympics. Barcelona tourist authorities calculate that the number of four- and five-star hotels in the city will double over the next five years. Interest in the Catalan capital has been revived by the prospect of pre-Olympic activity, a lack of larger-sized hotels and because there are no international chains present.

The Spanish government considers 1992 the year of international recognition of Spain, because of the Universal Exposition in Seville, the Olympic Games and the 500th anniversary of the discovery of America.

Fernando Benazet Lluis
Gassó Horwath, S.A.
Barcelona

From Sweden

As in other parts of Europe, Sweden experienced a somewhat different tourism flow during 1986. Reasons for this include the nuclear accident in Chernobyl and terrorist incidents in Europe.

Compared with 1985, the first months of 1986 showed an increased level of guest nights. However, during the summer season, increased demand from the the domestic market did not compensate for the noticeable decline in arrivals from the U.S.: a decrease of 31 percent or 156,000 guest nights over 1985. British and Dutch markets also declined in 1986.

From a total of 20.2 million guest nights (hotels, cottages and youth hostels), 79 percent were derived from the domestic market.

1986 was a very exciting year for new hotel projects in Sweden. However, the expansion of supply was concentrated in the regions of Gothenburg and Malmoe, whereas Stockholm's additional supply mainly consisted of enlargement of existing hotels. A significant trend in Stockholm was the creation of larger rooms by consolidating two rooms into one.

Compared with other areas in Sweden, the outlook for 1987 means less "hotel news" in Stockholm than in other major city area. Due to sharp building restrictions, no large-scale projects are of immediate interest in the capital. Nevertheless there are a number of major international chains looking for suitable sites in greater Stockholm as well as in downtown areas.

For Gothenburg, 1986 meant the opening of two international hotels: Novotel with 150 rooms and a 343-room Sheraton Hotel. Within the next couple of years another 600 rooms will be realized. In 1988, Scandic Crown will open and the GDG will start construction of a hotel with 300 rooms. Both are located in the center of town.

Malmoe produced a large room supply and will do so in 1987. In 1986-1987 there are approximately 650 new rooms divided into five hotel units. Behind some of the projects are Scandic Hotels and SAS International Hotels. Future projects include a 250-room Sheraton Hotel opening in 1989.

Anders Almér
Horwath & Horwath LTI Sweden AB
Stockholm

From Switzerland

The total number of guest nights in 1986 was 74.8 million. This figure is approximately 5 percent lower than in 1981, yet in comparison with the average of the last 10 years, this figure is approximately 2.5 percent higher.

Due to international terrorism, technical and industrial environment disasters and the decline in value of the U.S. dollar, there were approximately 37 percent fewer guest nights from the United States. At the same time, the number of visitors from Germany, France, Italy and in certain areas of Spain, Argentina and Israel increased. Also, more Swiss stayed in their home country, resulting in 1.5 percent more guest nights.

Mountain health resorts registered an increase of 2 percent.

This year, the Swiss tourist industry, the third most important industry and the second-largest employer, started marketing the country under the slogan "200 years tourism in Switzerland" which will, with a variety of events, lead up to the "Landesausstellung" CH91.

Forecasts for 1987 indicate a slight increase in arrivals from Europe and a 5 to 10 percent increase from the United States.

Reasons for Switzerland's faithful, steady customers include the country's ability to organize, its cleanliness and landscape, above-average knowledge in languages and political stability. Approximately half of all guests have previously visited the country four to 20 times.

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Horwath Treuhand & Revisions AG
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Horwath Fiduciare & Revision SA
Geneva

From the United Kingdom

Despite the considerable problems encountered in 1986, the tourism industry is optimistic about prospects for 1987. Many Americans decided not to travel to Britain and Europe last year due to inter-

national terrorist attacks in Europe, the bombing of Libya and the Chernobyl nuclear power station disaster. The generally wet and cold summer weather in Britain also affected domestic holiday travel and added to the international demand difficulties.

Notwithstanding these problems, Britain's tourist trade improved sharply in the closing months of last year; it is now evident that 1986 will be the second-best year in terms of overseas arrivals, which totaled 13.84 million, approximately 4 percent lower than 1985 (this was primarily due to a 24 percent decrease in arrivals from the United States and Canada). Difficulties experienced in 1986 had the greatest impact in the second and third quarters of the year, yet by the fourth quarter recovery was evident. Overseas arrivals were 6 percent higher than in the same quarter of the previous year, primarily due to a 14 percent increase in arrivals from Western Europe and a decrease of only 4 percent in arrivals from North America. The United Kingdom has become a second holiday destination for visitors from the continent; this trend is expected to accelerate up—on completion of the Channel Tunnel.

In the last quarter of 1986, overseas visitors expenditures were approximately 8 percent higher than the corresponding quarter of 1985.

Overseas tourism to Scotland also fared well in 1986, with estimated spending at £322 million, consistent with 1985. Overseas visitors totaled approximately 1.23 million, a 4 percent decline. The Scottish Tourist Board recently announced a five-year marketing strategy, setting several growth targets which include the increase of overseas tourist spending to £500 million each year, with conference and incentive earnings reaching the same level.

Northern Ireland is aiming for 8 percent increase in holiday traffic each year for the next three years. This growth rate would increase visitors to more than one million by 1990, which closely matches the peak level of 1967 when 1.08 million was recorded.

It is estimated that business and conference visitors to Wales accounted for 10 percent of the £600 million generated by tourism in Wales each year. To date, 14 conferences have been booked for Cardiff in 1987, bringing an estimated 10,000 delegates to the city.

Approximately 10 million Britons traveled abroad in 1986 and it is estimated that the number will increase this year. The general outlook for the United Kingdom's economy in 1987 is positive and appears favorable for the expansion of overseas holidays; outbound travel volumes are affected by the exchange rate and, thus, should sterling fall appreciably in value, this would restrict such growth.

The expected upturn in business in 1987 has prompted rumors of a rush to buy hotels before they become too expensive. In the first 10 weeks of the year several rumors became realities with the agreed purchase of London Park Hotels, a small, London-based hotel group, by Mount Charlotte Investments, an expanding, nationwide hotel group.

Trusthouse Forte recently received approval by the Monopolies and Mergers Commission to acquire the former Imperial Group's Anchor Hotels and Happy Eater roadside restaurant chain. Norfolk Capital Hotels recently acquired the two Edinburgh hotels, formerly owned by Gleneagles Hotels, and has also bought Celebrated Country Hotels, a small company with four country house-style properties.

Hotel expansion in London has seen the most positive developments in many years with the Ibis, at Euston Station, the first entirely new hotel in a decade, opening later this year. Westminster City Council's environmental objections to the development of Raleigh Enterprises' new 200-room, five-star hotel, close to the Houses of Parliament, have been overruled on appeal. Ladbroke Hotels plans to develop a 400-room, four- or five-star hotel in the former Langham Hotel building, which had been used as an office by the BBC for many years. A five-star hotel is planned for the St. George's Hospital site at Hyde Park Corner in central London. Several other buildings, including St. Pancras Chambers, at St. Pancras Station, and County Hall, the former headquarters for the Greater London Council, are now being considered for redevelopment as hotels.

The June elections could influence the flow of tourists to and from the United Kingdom this year, depending on how the international financial markets perceive the results. According to British Tourist Authority forecasts, overseas tourism will grow to 20 million by 1992, a 30 percent increase over 1985; domestic travel is also forecasted to grow albeit not at the same rate.

Lower European airfares could provide a considerable stimulus to travel. The British government is playing a leading role in pressing for lower rates through bilateral agreements, and encouraging the European Commission's drive against cartel-type arrangements. Air Europe, a leading British charter carrier with a subsidiary Spanish airline, is entering the scheduled market later in 1987 and is attempting to obtain permission for a wide variety of routes, thereby adding a new element of competition.

Paid leave entitlement in the United Kingdom is usually below the levels of other European countries, yet an effort is being made to meet the existing standards of most Western European countries. The domestic short-break market would benefit from such action, as short breaks continue to grow both during the recession and with economic recovery.

Jonathan A. Bodlender
Horwath & Horwath (U.K.) Ltd.
London

From West Germany

Until June 1986, the tourist year appeared to be one of the worst ever. From then on the unsettling effects of terrorist activities and the sharp loss of exchange value of the U.S. dollar to most European currencies were slowly overcome.

The total number of guest nights increased 3 percent in 1986 to a total of 218.6 million, with 27.8 million representing foreign arrivals. U.S. arrivals dropped 26 percent compared with 1985, but most other countries showed significant increases: arrivals from Sweden, Denmark and Italy all rose 10 percent, and arrivals from Switzerland and the Netherlands rose 6 percent. This development brought lower occupancies for city hotels which try to attract business travelers. The sharp loss of value in the U.S. dollar was the strongest influence.

All major German cities were influenced by these events. Nevertheless, hotel development continues not only in Munich, where a new international airport in the suburb is planned, but also in Cologne, Hamburg and Berlin.

In addition to new international high-class hotels, two- and three-star hotels

show promise for continuing success, as a return of the hotel restaurant is seen. The design of these new hotel restaurants will not be part of the hotel but will display the brand name of well-known restaurant companies.

Germany is not only known for good hotel accommodations but as a source of tourists for almost all European countries. Due to a continuing increase of available money, the amount of money spent in tourism abroad increased significantly. Italy and Austria remained the main destinations, followed by Spain and Switzerland. It is expected that the amount spent abroad will be approximately 46.000 million (DM) compared with the expected 18.000 million (DM) spent by foreign visitors in Germany in 1987.

Hotel classification remains an important issue within the hotel association. Some regional organizations plan a categorization following the Swiss example of minimum standards per category without binding price limits.

1987 will be a better year for most international hotels as their marketing efforts since the events of early 1986 have been directed to more sources of guests in different countries. If business conditions remain the same, tourism, fair and conference activities will increase and bring higher occupancies.

The importance of this industry sector is evident by the fact that tourism in the Federal Republic of Germany and West Berlin accounts for 4 percent of the gross national product and more than 1.5 million people are employed in tourism and related industries, mainly in middle-class enterprises.

Reinhard H. Imhof
Horwath & Gelbert GmbH
Frankfurt am Main

LATIN AMERICA/ CARIBBEAN

From Argentina

Due to a combination of positive factors, the tourist industry showed improvement in 1986.

One of the purposes of the economic plan, in force since June 1985, is to allow the tourist industry to operate freely in a more comfortable environment and to plan and budget on a more predictable basis.

Official policies have broadened the duties assigned to the tourism sector and include assuming leadership in previously undeveloped previously undeveloped tourist-related areas. Some policies are already implemented, while others are in the last stages of analysis.

A summary of tourism highlights includes:

- An international hotel in the southern lakes region, officially managed during the last decade, was turned over to an international group as the first step toward a tourist industry governmentally oriented but dependent on private initiative and capital risk.
- Tax reliefs, long-term loans and investment compensations are in effect or pending approval.
- National Interprovince Way #40 and its neighboring areas were declared a national development priority; this road, which crosses the eastern portion of the country and extends for more than 5,000 kilometers, links a string of unique natural landscapes.
- Value added tax reimbursement or exemption, as a means to increase foreign tourist demand, is awaiting approval.

Local hoteliers and tourist industry entrepreneurs, through their representative institutions or individually, helped to promote these changes and at the same time are trying to improve their own services.

This internal effort to develop foreign and domestic tourist demand has been enhanced by the interest shown by many international tour operators and hotel chains in conducting business in Argentina, particularly in Buenos Aires, Iguazu and Bariloche.

Seasonal tourist activities in the country, especially snow sports, have continued to attract oriented segments of the market.

With consistent lodging demand, first-class hotels in Buenos Aires reached a satisfactory occupancy rate in excess of 68 percent; average room rates have remained constant.

Raúl A. Nazer
Cánepa, Pestarino, Nazer y Asociados
Buenos Aires

From The Bahamas

Arrivals in 1986 totaled a record 3 million visitors. For over five decades tourism has been the golden goose of the economy, producing more visitors annually than the rest of the English-speaking Caribbean combined, and giving the Bahamas one of the hemisphere's highest standards of living.

Toursim earnings topped $1 billion last year. However, tough competition from other Caribbean countries and a decline in the quality of services are straining the ability to stay ahead.

More than 20 cruise ships brought a record 1.6 million visitors last year, accounting for approximately 52 percent of total visitor arrivals and representing a 31 percent increase over the previous year. This increase was largely due to the growth of Southern Florida as the cruise capital of the world. To accommodate even more cruise vessels, the Ministry of Works has recently tendered request for qualification for the expansion of the country's docking facilities.

Special attention is being given to the Family Islands, whose tranquil lifestyle has always proven more appealing to the upscale visitor interested in cruising and private flying.

A number of small commuter airlines have begun scheduling services from Florida with the very positive result of a 30 percent increase in 1986. Visitor arrivals to Grand Bahama, the leading destination in the Caribbean after Nassau/Paradise Island, increased approximately 19 percent. This trend is expected to continue as several hotels have reopened and several cruise vessels have expressed desire to service this island.

The $25 million expansion by Resorts International on Paradise Island was completed in 1986; this included an additional 100 rooms, 10,000 square feet of casino expansion, cabaret theater and restaurant additions, bars and entertainment areas. Additionally, the second phase of the government's airport improvement and expansion plan was begun.

The Coral World project, located on Silver Cay, is scheduled to open early in 1987. This entertainment center boasts an underwater observatory and marine park, natural coral reef and shark tank, marine garden aquarium and other large, living exhibits. Ground-breaking ceremonies took place for the construction of the first phase of the 700-plus-room Crystal Palace on Cable Beach. This project is scheduled for completion by 1990.

The country's future appears bright and Ministry officials are striving for a 4 percent increase in arrivals over last year.

Norwood A. Rolle & Co.
Nassau

From Belize

Total visitor arrivals in 1986 remained constant at 1985 levels, totaling 93,000. However, arrivals from the key source markets of North American and Europe increased approximately 16 percent. The number of domestic tourists neared 50,000, with the balance derived from arrivals from Mexico and other Central American countries, who traveled for work or other related purposes.

The supply of accommodations is comprised of small units, which are expensive in relation to the general medium standard offered. The high cost is a consequence of high operating costs, seasonality of demand and the small, uneconomic size of most hotels.

Many of the hotels were completely full during the 1986 season (January to April) due to the influx of film crews for the shooting of "*Mosquito Coast.*"

The increase of visitor arrivals is expected to continue in the medium term due to the recovering economy, the government's active and encouraging role in the promotion of tourism and the substantial development efforts of various donor countries and agencies.

There is, therefore, considerable interest in the expansion of existing hotels and the construction of the first international chain hotel is likely to be announced in the near future.

Robert Brown
Horwath & Horwath (U.K.) Ltd.

From Brazil

On February 28, 1986, the Brazilian government announced a harsh austerity program to stabilize the economy: the "Cruzado Plan." The program froze prices, rents, mortgages, service charges and fixed wages at relatively higher rates of purchasing power. This stable purchasing power encouraged a binge of consumer spending and, with the price of airline tickets frozen and lower interest rates imposed for travel packages, Brazilians went on a traveling spree during the year.

Overall accommodations demand across the country increased approximately 25 percent. Occupancy levels in deluxe hotels fluctuated from a low of 70 percent to a high of 85 percent. The 1.8 million tourist arrivals estimated for 1986 represented an approximate 4 percent increase compared with 1985.

Producers, unhappy with government-mandated prices, have held back their supplies, creating shortages and a parallel market. This has caused an increase in hotels' costs of sales, especially in food and beverage departments. Also, in spite of having rack rates frozen, hotels didn't have the chance to change their policy of high discounts used during the inflationary period which affected the annual average room rate. These two factors combined resulted in lower profits for many hotel operations.

Political problems with the "Cruzado Plan" and the spending boon have brought inflation back, forcing the government to interrupt frozen prices and to devaluate Brazil's currency (compared with the dollar), corresponding to the monthly rate of inflation. This is expected to provide hotels increased profits in 1987, with gross operating profits between 30 ad 35 percent of gross revenue.

Embratur (Empresa Brasileira de Turismo) has declared 1987 the "National Year of Tourism," promoting several programs to increase national tourism. The supply of hotel rooms continues to increase and several international chains are seeking properties to operate in major regions of the country.

Ricardo Mader Rodrigues
Jorge Luiz Duarte
Soteconti Auditores Independentes S/C
São Paulo

From Chile

Sales in the industry have maintained a sustained growth in the last three years. This growth can be basically attributed to Chile's economic stability.

An understanding has been reached between the Ministry of Economy and Sernatur with the objective of devising a new regulation aimed at reclassifying hotels by the use of a system more in line with Chilean reality in the South American hotel activity.

A new mixed body, the Tourism Development Council, is to be created in the near future for the purpose of assisting the Tourism National Services in establishing development plans for tourism activity. Its members will be government and private sector representatives.

Rodolfo Correa
Macaya, Olate y Cia. Ltda.
Santiago

From Colombia

An estimated 732,000 tourists arrived in Colombia in 1986; average hotel occupancy ranged from 51.5 to 68 percent, a 3.5 percent increase over 1985.

The average daily room rate for three- to five-star hotels in the main cities of Bogota, Medellin, Cali, Barranquilla and Cartagena was US$24.07, a 28.63 percent increase, which is attributed to inflation.

In 1986, there were 4,545 rooms available in 213 new properties, representing a 16.5 percent increase in lodging capacity.

Government regulations for a tourist card have been provided as a new mechanism to facilitate the flow of tourists from the Caribbean, United States and Canada. Similar steps were also taken in order to encourage tourism development and regulate the organization of conventions, tourism representations and car rental services.

The National Corporation of Tourism is making a successful effort to stimulate tourism and to implement integral projects for national tourism development that will contribute to the augmentation of occupancy units and tourism-related services, which will, in turn, contribute to the decline of the country's soaring unemployment rate.

Claudia P. Córdoba D.
Anselmo González Labrada
Anselmo González Labrada y Asociados Ltda.
Bogotá

From Cyprus

The number of arrivals continued to increase in 1986, totaling more than 900,000, a 10.7 percent increase compared with 1985. Arrivals from Scandavian countries continued to increase, accounting for 17 percent of the total arrivals. Gross tourism receipts rose 10 percent from 1985, estimated at CY£256.6 million for 1986 compared with CY£232.0 million in 1985. It is expected that receipts will reach CY£270 million by year-end 1987.

Significant growth occurred in arrivals from the European market, particularly the United Kingdom, Sweden, Norway, France, Finland and Ireland; an increase

of 18.8 percent was recorded for arrivals from all European countries. Arrivals from Arab countries decreased 10.4 percent due to the unstable political conditions which continued to prevail in those countries in 1986.

It is expected that arrivals in 1987 will reach 950,000 as this upward trend continues.

Coping with the problem of unlicensed accommodations, new categories of accommodations were established under the relevant law; a total of 10,270 beds, previously operating without approval of the Cyprus Tourism Organization, are now operating with that approval. By year-end 1986, the total number of beds in operation reached 41,928 compared with 28,956 beds in 1985. There are 3,086 beds in furnished apartments, however, that are not available to packaged tourism.

The Fifth Emergency Action Plan, for the years 1987-1991, places particular emphasis on the qualitative improvement of the tourist product and the improvement and embellishment of the environment. The policy focuses on reducing the construction rate of new hotel bed capacity and on more evenly balanced regional development. Other objectives include maintenance of high service standards, improving the seasonality problem, obtaining greater occupancy rates of Nicosia and Hill Resorts hotels and the supply of sufficient skilled labor force for the hotel and catering industry.

Michael Christoforou
Chrysanthou & Christoforou
Nicosia

From the Dominican Republic

A new tourist zone has been addressed for development in Punta Cana/Macao, in the east part of the country; stimulated by the country's tourism boom, this move has been endorsed by the president. This zone includes a strip of land five kilometers wide which parallels the coast. Various promoters have expressed interest in establishing major complexes there, and construction is currently planned for several hotels totaling more than 2,000 rooms.

On the north coast, accelerated growth continues in the area of Playa Dorada, with approximately 550 rooms in three new projects planned for operation in 1987.

The Sosua area, 14 kilometers from Playa Dorada, is undergoing rapid growth with approximately 500 rooms scheduled to open in 1987. Sosua offers an informal and Bohemian ambience with beaches and nighttime entertainment.

The addition of these new rooms to the existing supply of approximately 8,500 will place the Dominican Republic among the top room suppliers in the Caribbean.

According to unofficial figures, approximately 800,000 tourists visited the country in 1986, representing a 6 percent increase compared with 1985.

The future of the Dominican Republic tourism industry looks bright due to support by airlines, which have made new agreements to fly to the country, expansion of airports and piers to cope with the expected increase in arrivals and by the endorsement of government policies protecting this sector.

Sotera A. Peralta
Sotera Peralta y Asociados
Santo Domingo

From Jamaica

1986 was a record year in terms of arrivals to Jamaica with 954,000 arrivals, representing an increase of approximately 13 percent over 1985. This growth is attributed to the strong positive image continually conveyed to the market, development of new marketing programs and advertising campaigns, the introduction of an incentive program for travel agents and an increase in the air seat capacity.

Early indications for 1987 suggest a further significant increase in arrivals, perhaps in excess of one million. Total arrivals for the first two months of 1987 were 20 percent above the corresponding period of 1986.

Edgar C. Jones
Horwath & Horwath
Kingston

From Mexico

The Mexican tourism industry experienced satisfactory performance during 1986. This industry is destined to play an increasingly important role in the nation's economic and social development in the years ahead. With the continuous assistance of the industry, providing sufficient and suitable facilities and appropriate standards of service, the future of Mexico as a premier tourist destination is assured.

Arrivals to Mexico in 1986 totaled 4.7 million compared with 4.2 million in 1985, an increase of 11.9 percent.

Over the last few years, due to inflation and the continuing devaluation of the peso, domestic travelers have declined and have drastically reduced their spending.

The dramatic drop in occupancies and average room rates experienced in 1985, due to drug problems, negative publicity abroad and the devastating earthquake, are noticeably improving. The main objective for hoteliers now is to recover their normal price levels which are presently significantly underquoted.

The international hotel supply is currently concentrated in beach resorts and the main cities of Mexico such as Mexico City, Monterrey and Guadalajara. Future plans are to expand services to other areas. A main target for hoteliers is the rapidly growing convention business.

The forecast for 1987 is continued growth in international arrivals but a decline in domestic travel.

The new debt equity program will increase foreign investment in Mexico. Through this program, a foreign corporation is allowed to participate with 100 percent equity. According to the Ministry of Tourism, construction on 9,000 new hotel rooms will start during 1987, allowing this industry to reach new goals in coming years.

Tourism will increase considerably in this country due to governmental efforts to promote existing destinations, as well as the opening of new destinations, such as Bahia de Huatulco in the State of Oaxaca.

Sergio Duplan
Maldonado, Duplan, Colina y Asociados, S.C.
Mexico City

From Peru

The toursim and hotel industry experienced its worst setback during 1984-1986. Direct air flights to the United States—the primary market—were foreclosed to local and U.S. airlines during this period. Economic instability and terrorism are also cited as deterrents for tourism growth. In recent months, however, the Peruvian and American governments have reached an accord on bilateral air traffic rights and flights should resume soon.

Miraflores Cesar's Hotel, the flagship of local lodging, has been expanded. Other international class hotels have been inaugurated and the most recent Toursim Congress had a positive tone.

A sense of political and economic stability has been achieved by almost two years of successful policies implemented by the goverment. The long-term prospect for tourism and the related industries will, however, depend on future political and economic stability.

Jaime Vásquez Solis
Vásquez y Cia.
Horwath & Horwath (Peru)
Lima

From the Turks and Caicos Islands

Arrivals to the Turks and Caicos Islands in 1986 exceeded 35,000, a 22 percent increase over 1985. This is encouraging, given the air transportation problems which left the capital island of Grand Turk without a direct flight link to the United States for several months.

It is generally accepted that enormous potential exists for further development. The combination of location, available space, climate, legal status and political stability make the islands an up-market tourist destination. There are, however, some contraints. The resourse base is minimal and the budget still must be balanced by British grant-in-aid; skilled and unskilled labor is scarce, and the infrastructure is not adequate to handle large-scale development.

Signs for the future are encouraging. The arrival of the new govenor in March 1987 heralded a new era of economic development with a firm commitment from Pan Am to continue serving the islands. With several new hotel projects already under construction and many more planned for the near future it appears that 1987 will be the start of a period of rapid and sustained growth in tourism to the islands.

Robert Brown
Horwath & Horwath (U.K.) Ltd.
London

From Uruguay

An estimated 250,000 tourists arrived in Uruguay in the 1986-1987 summer season (December 1986-March 1987), representing half of the previously forecasted arrivals. This occurred due to economic conditions in Argentina and Brazil, as well as fluctuation of the exchange rate between those countries and Uruguay.

Accordingly, a sharp devaluation trend, beginning in September 1986, has eroded the Argentinian and Brazilian currencies, which is deviating the main flow of Argentinian tourists to Brazil.

No international hotel chains currently operate facilities in Uruguay, yet some are presently exploring the possibility of constructing a five-star hotel on Montevideo's shoreline or in Punta Del Este.

Fulvio R. Pérez Magliano
Marty, Pérez y Asociados
Montevideo

From Venezuela

On the average, the number of occupied rooms increased 11 percent above 1985 figures. This created an average occupancy rate of 71 percent for 1986, an increase of 7 points from the 64 percent realized in 1985. This growth is attributed to the combined effects of an economic reactivation and a continued growth of demand from the tourist segment. This last factor was positively influenced by the country's many attractions, fine weather and competitive prices.

The average room rate recorded (in local currency) in 1986 was 29 percent higher than in 1985, having risen from Bs 538 in 1985 to Bs 693 in 1986. Because of the bolivar's devaluation, taking into account the free exchange rate at the end of the year, the average room rate has actually declined in U.S. dollars from $36 in 1985 to $29 in 1986.

Forecasts for 1987 continue to be optimistic and, if general conditions continue, the average annual occupancy should be between US$36 and US$40. The supply of rooms will increase by approximately 2,000 in the international category toward the latter part of the year and the first part of 1988. This should reduce the average occupancy rate for the country in 1988, but will definitely assist in capturing the increasing demand of both tourists and business travelers.

Gábor Horvath Jr.
Horwath & Horwath Venezuela
Caracas

THE WORLDWIDE HOTEL INDUSTRY

by Mark V. Lomanno and William R. Evans
Research Division
Laventhol & Horwath
Executive Offices

Introduction

In December 1986, Horwath & Horwath International (HHI) distributed nearly 3,500 questionnaires to hotels around the world. More than 1,100 questionnaires were completed and returned to the Research Division of Laventhol & Horwath, the HHI member firm in the United States. After careful review for reasonableness and accuracy, more than 1,025 questionnaires representing 271,900 hotel rooms worldwide were processed and used in this report. This sample is larger than any previously published issue and we extend our thanks to the HHI member firms and concerned hotel operators worldwide for making this study possible.

This 17th edition of *Worldwide Hotel Industry* conforms closely with the format first used in the 1982 edition. Exhibits containing information on technology and guest services are presented in an effort to define and characterize the hotels surveyed in greater detail. All data is broken down into five regions, each covering a different geographic area of the free world. Table 1 illustrates the various sections of this report and the respective geographic areas they cover.

Information is presented on five major regions and 13 subregions. Every effort is made to provide information on as many separate geographic areas as possible. For the first time, Caribbean properties are presented in the Latin American region rather than the North American region. Due to this shift the reader should exercise caution when comparing total region data for 1986 for North America or Latin America/Caribbean with previous editions. If data permits, we will expand the breakdowns in future years to provide comprehensive information that more closely reflects the operating characteristics of hotels in their respective areas.

Throughout this publication, medians are used to report most amounts and ratios, although means are used in certain selected schedules. The terminology and account titles are based on the eighth revised edition of the *Uniform System of Accounts for Hotels*. An explanation of the terms and bases used is given in Appendix I: Explanation of Terms and Bases Used on page 121.

This is the second edition in which all amounts are presented in U.S. dollars, converted using a 12-month simple average, rather than using a year-end exchange rate. This should help to more accurately present the effects of currency fluctuations and, therefore, a more accurate picture of the entire year. A list of countries with hotels contributing to this study, along with the currency conversion factors used, is presented in an appendix at the end of each of the five regional sections of this report. These appendices also identify the subregional country affiliations within each region. Currency conversion factors are provided for both 1986 and 1985 in order to facilitate comparisons between the two years.

The reader is cautioned that currency fluctuations often have significant effects on the U.S. dollar values presented in this report. To help better comprehend the impact of currency changes, refer to Appendix II: Impact of Currency Fluctuation on page 123, which analyzes currency fluctuation values.

To eliminate differences in the size of hotels surveyed, dollar amounts are shown per available room. Wherever appropriate, ratios to total sales and room sales are used. Since medians are often used to report dollar amounts, individual line items do not necessarily add to the totals shown. Each line item is analyzed separately and the medians are based on

Table 1

Section	Region and Subregions
I	Africa and the Middle East (Region I) Northern Africa Southern Africa Middle East
II	Asia and Australasia (Region II) Asia Far East/Pacific Basin Australia
III	North America (Region III) Canada United States
IV	Europe (Region IV) Continental Europe Scandinavia United Kingdom
V	Latin America/Caribbean (Region V) South America Caribbean

the information submitted for that line item only, since all hotels did not report information for each line.

Because the information contained in this report reflects the responses of 1,025 hotels, the amounts and ratios should not be considered standard for any type of property, region, subregion or country, but as guidelines for comparison with the operating results of a specific property. They are not an attempt by Horwath & Horwath International or the Research Division of Laventhol & Horwath to set or conform prices or operating standards for the hotel industry.

Highlights

Several unexpected events had a significant effect on the flow of international travelers during 1986. Terrorist activities, which appeared directed primarily at travelers, attracted worldwide media coverage and decreased the flow of travel to and from the affected areas. In addition to the terrorism, the nuclear incident at Chernobyl (U.S.S.R.) changed traffic patterns even more.

As presented in Exhibit 1, the highlights for 1986 reflect these unusual negative circumstances and rapidly changing guest markets. Hotel occupancies fell dramatically from 1985. As international travel declined, the percentage of hotel guests from foreign sources fell to their lowest levels in more than a decade, increasing the competition among hotel operators for domestic travelers in order to fill vacant rooms.

Profile of contributors

The age, size and other characteristics of the typical contributor surveyed, as determined by various measures of central tendency such as mean, median and mode, are displayed in Exhibit 2. The total group of contributors represents a broad cross section of the hotel industry in terms of these characteristics, but the typical contributor comes from the hotel industry segments shown in this exhibit.

The source and distribution of the 1986 worldwide hotel industry dollar is shown in Chart 1 (page 40) with 1985 data listed for comparison purposes. To accurately reflect the impact from various size properties, the dollar is based on weighted means. As illustrated, the portion of revenues generated by each individual source remains relatively unchanged from 1985, with room sales comprising the largest share of revenue.

On the expenditure side, employee payroll and related expenses required the largest share of hotel revenue. Bottom-line performance was slightly affected, with net income before income taxes decreasing from 9.8 percent in 1985 to 8.3 percent in 1986.

Exhibit 1
Highlights

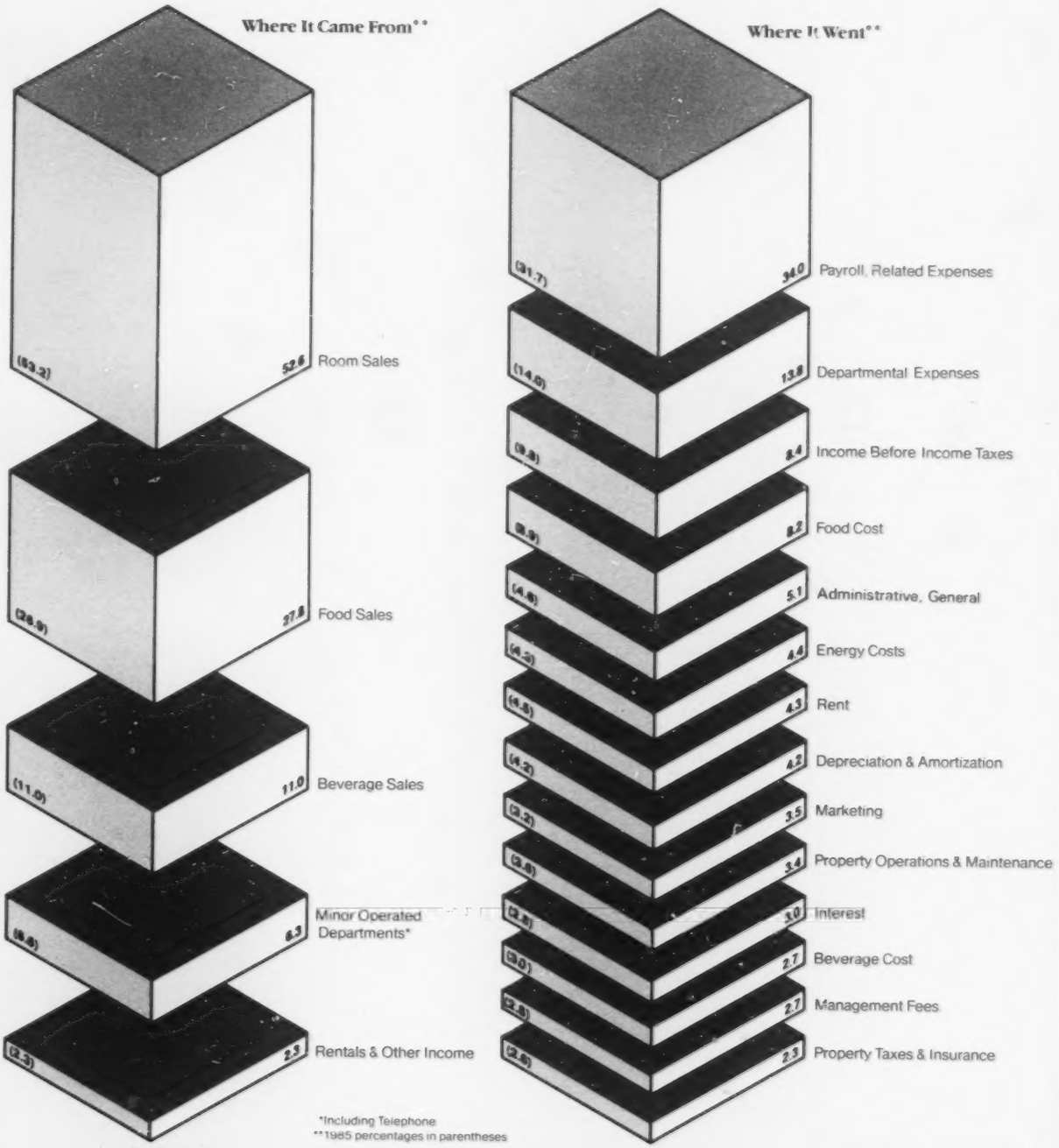
- Worldwide occupancy rates fell to 64.5 percent; the lowest rate in more than a decade.
- Total revenue increased 16.2 in 1986 on a per room basis.
- The percent of hotel guests from domestic sources rose to 52.1 percent, the highest level in more than a decade.
- The average daily rate per occupied room was $56.72 compared with $45.17 in 1985.

Exhibit 2
General Profile of Typical Contributor Based on Various Measures of Central Tendency

Criteria	Category of Typical Contributor
Age	Built between 1970 and 1980
Size	150–299 rooms
Occupancy	55%–65%
Average Rate	$50–$65 (U.S.)
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales is between 50% and 85% of room sales.
Other	
Location	Urban
Market	Primarily business travelers & conference participants.
Management	Chain affiliated; reported net income before income tax in 1986.
Type of Property	Hotel

Chart 1

International Hotels
Percentage Distribution of Revenue and Expenses



*Including Telephone
**1985 percentages in parentheses

Market data

Guests from domestic sources provided more than 52 percent of overnight hotel guests for the highest rate in more than a decade. Exhibit 3 presents market information for a span of five years, 1982-1986. Although the percentage of guests classified as tourists did not alter from 1986 on a worldwide basis, this figure did change dramatically in certain areas such as Continental Europe as shown in later sections of this publication.

Exhibit 3
Market Data*
Five-Year Trend—All Hotels

	1986	1985	1984	1983	1982
Source of Business					
Domestic	52.1%	50.2%	51.2%	51.3%	42.2%
Foreign	48.1	49.8	48.8	48.7	57.8
Percentage of Repeat Business	37.2	40.0	38.4	40.3	39.1
Composition of Market					
Government Officials	4.4	7.1	5.3	6.2	5.5
Business Travelers	38.7	38.3	42.7	42.1	41.5
Tourists**	34.4	34.4	26.4	27.0	30.0
Conference Participants	12.1	10.5	13.4	13.2	13.7
Other	10.4	9.7	12.2	11.2	9.2
Percentage of Advance Reservations	84.2	82.7	83.4	84.1	81.4
Composition of Advance Reservations					
Direct	36.6	36.0	38.4	39.6	36.0
Reservation Systems	24.6	24.8	30.0	28.9	31.6
Travel Agents & Tour Operators	27.9	27.7	27.0	27.2	27.8
Other	10.9	11.6	4.6	4.3	6.4
Ratio of Travel Agent Commissions to Room Sales	1.5	1.3	1.2	1.3	1.2

*Arithmetic mean.
**Individual tourists and tour groups.

Exhibit 4
Market Data*

	All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America/ Caribbean
Source of Business						
Domestic	52.1%	27.5%	49.6%	82.2%	40.1%	38.9%
Foreign	47.9	72.5	50.4	17.8	59.9	61.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	37.2	39.6	31.5	43.2	36.2	27.8
Composition of Market						
Government Officials	4.4	10.3	5.4	3.4	2.6	3.6
Business Travelers	38.6	41.8	34.9	36.1	43.6	35.2
Tourists (Individual)	22.7	14.2	22.1	30.3	21.5	22.8
Tour Groups	11.6	9.6	21.1	3.3	9.8	23.1
Conference Participants	12.1	5.8	7.5	18.6	11.5	9.7
Other	10.6	18.3	9.0	8.3	11.3	5.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	83.9	18.5	89.4	76.8	89.2	87.0
Compositions of Advance Reservations						
Direct	36.6	39.8	33.1	36.6	41.3	27.6
Reservation Systems	24.9	28.3	23.3	28.1	19.9	25.4
Travel Agents & Tour Operators	27.8	18.7	34.5	25.3	26.9	36.6
Other	10.7	13.2	9.1	10.0	11.9	10.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Arithmetic mean.

Market information is presented for the five regions in Exhibit 4. People traveling for business or conferences make up more than half of all hotel guests, with tourists comprising another one-third of overnight travelers. Comparison of this exhibit with 1984 reveals little change.

Exhibit 5 shows the nationality of guests by region for 1986. The travel preferences indicated here are particularly useful in developing marketing strategies.

Americans were the most frequent travelers in the world, representing more than one for every five hotel guests. This percentage dropped dramatically from 1985, primarily because terrorism was directed toward Americans and unfavorable currency exchange rates. Germany, however, continues to grow in importance in international travel and now ranks as the second-largest source of hotel guests in the world.

Exhibit 5
Nationality of Guests—1986*
All Hotels

	Rank		All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America/ Caribbean
	1986	1985						
American	1	1	20.2%	8.9%	16.7%	70.4%	15.6%	38.3%
German	2	3	10.0	5.0	2.1	0.8	21.3	4.2
Australasian	3	9	8.8	0.6	35.3	0.3	1.0	0.2
Canadian	4	2	8.5	1.3	1.7	22.1	1.5	5.3
British	5	4	7.6	10.5	4.2	1.3	11.9	2.2
Other European	6	6	7.4	8.6	2.8	0.8	11.4	7.3
Japanese	7	8	6.4	3.4	17.8	1.2	3.6	2.5
French	8	7	5.6	13.5	1.5	0.9	7.2	3.7
Middle Eastern	9	10	5.1	25.3	0.8	**	2.8	0.2
Scandinavian	9	5	5.1	1.2	0.6	0.3	12.2	0.8
Other Asian	11	11	4.8	4.1	14.1	0.5	2.2	0.4
Italian	12	12	2.9	3.0	1.1	0.6	4.8	2.6
South American	13	13	2.7	0.5	0.3	0.2	1.3	21.0
Other African	13	14	2.7	11.9	0.2	**	1.6	2.2
Central American	15	16	0.6	0.3	0.5	0.2	0.7	1.7
North African	15	17	0.6	1.5	0.1	**	0.6	0.1
Mexican	17	15	0.5	**	0.2	0.4	0.2	3.6
Caribbean	17	N/A	0.5	0.4	**	**	0.1	3.7

*Arithmetic mean.
**Less than 0.05 percent.
N/A—Not available.

REGION I: AFRICA AND THE MIDDLE EAST

Profile of contributors

This section is divided into the geographic subregions of Northern Africa, Southern Africa and the Middle East. Exhibit I-1 provides a profile of the typical contributor for this region. These characteristics should be carefully noted for interpretation of data in the accompanying exhibits.

The median occupancy rate for the region decreased 9.5 percent to 55.9 percent for 1986, as all three subregions experienced declines. The Middle East region reported the lowest occupancy rate at 49.6 percent. This seems reasonable considering terrorist actions, including the takeover of the Achille Lauro cruise ship, which led to a reduction in the number of tourists. Business travel in the Middle East has also been negatively affected by low oil prices, and thus occupancies fell 12.9 percent from 1985.

The median average daily rate for the region, $58.72, is slightly higher than last year's level. As noted earlier, these and other amounts are expressed in U.S dollars, and fluctuations in exchange rates should be taken into account when comparing data from year-to-year (see Appendix II). Exhibit I-2 highlights these and other major operating results during the year.

Chart 2 presents the source and distribution of the hotel industry dollar. As expected, room sales provided the majority of revenue for hotels followed by food sales. Decreased departmental expenses and food costs led to an increase in income before income taxes.

Exhibit I-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency—
Africa and the Middle East

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	50%–60%
Average Rate	$55–$65
Sales Volume	Between $2–5 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1986

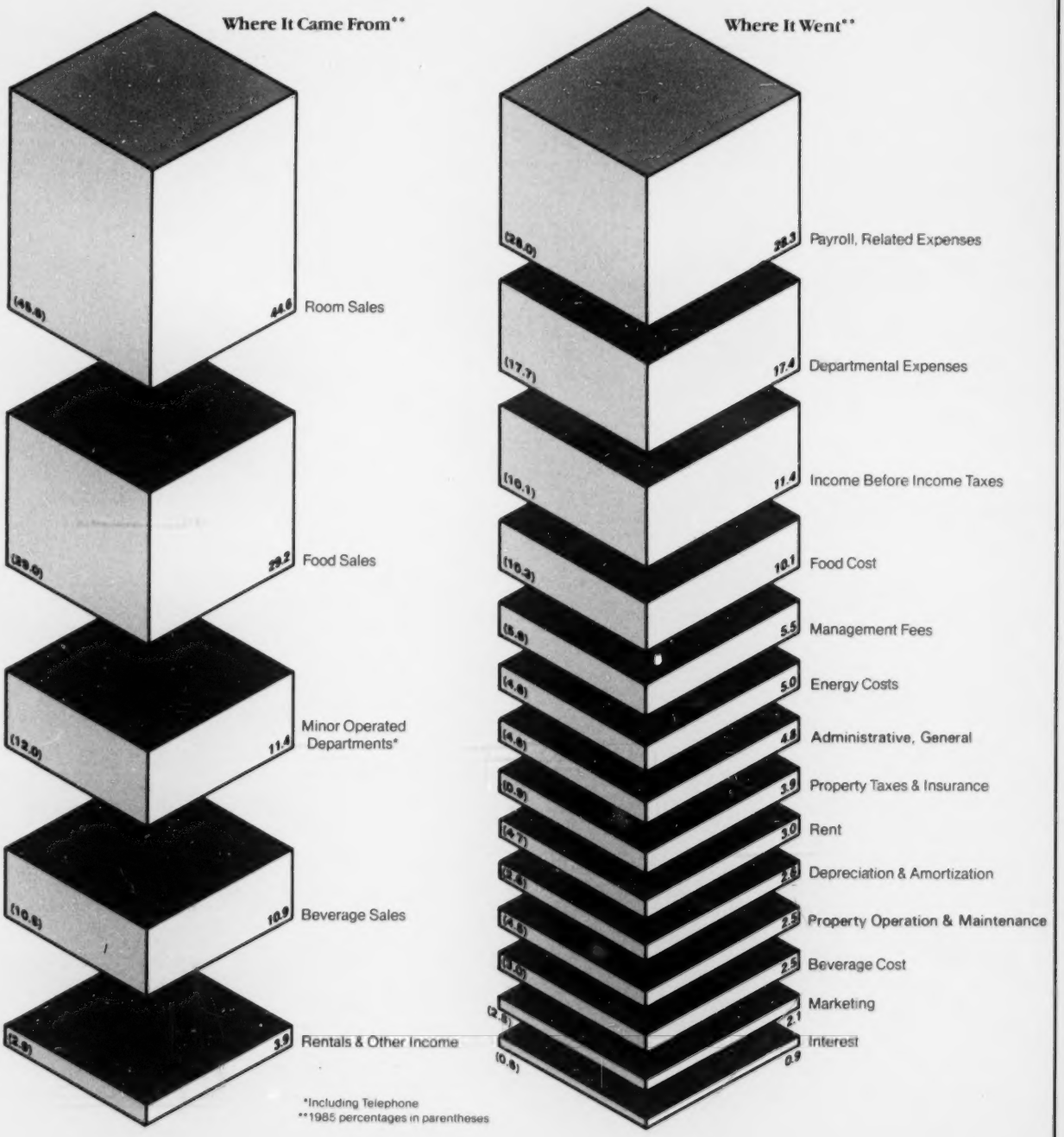
Exhibit I-2
Highlights*
Africa and the Middle East

- Total revenue decreased 7.1 percent on a per room basis.
- Room occupancies decreased 9.5 percent to 55.9 percent, compared with 61.8 percent in 1985.
- The average daily rate per occupied room was $58.72 compared with $54.24 in 1985, an 8.2 percent increase.

*Based on medians.

Chart 2

Africa and the Middle East
Percentage Distribution of Revenue and Expenses



*Including Telephone
**1985 percentages in parentheses

Foreign travelers were the dominant source of business in all three subregions, while business travelers comprise the largest market segment for the region. The percentage of guests who were tourists dropped from 27.6 percent in 1985 to 23.7 percent in 1986. The hotels surveyed reported that advance reservations represented approximately 79 percent of all rooms sold (Exhibit I-3). The nationality of guests for the region is displayed in Exhibit I-4.

Performance measurements

Total sales and income comparisons are presented for the region and subregions in Exhibit I-5. Median total sales per room fell 7.1 percent from 1985 for the total region, the only region which indicated a decline in this measurement. Because amounts are reported in U.S. dollars, currency fluctuations should be examined when making comparisons with different years. Income before income taxes fell in the regions as a whole, although the Northern African region shows an increase in this measurement.

Exhibit I-3
Market Data*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Source of Business				
Domestic	27.5%	N/A	33.3%	26.7%
Foreign	72.5	N/A	66.7	73.3
Percentage of Repeat Business	39.6%	N/A	46.8%	38.5%
Composition of Market				
Government Officials	10.3	N/A	11.2	9.7
Business Travelers	41.8	N/A	49.6	39.5
Tourists	23.7	N/A	21.1	22.6
Conference Participants	5.9	N/A	6.7	5.5
Other	18.3	N/A	11.4	22.7
Percentage of Advance Reservations	78.5%	N/A	79.3%	77.7%
Composition of Advance Reservations				
Direct	39.8%	N/A	42.8%	39.2%
Reservation Systems	28.2	N/A	31.9	27.2
Travel Agents & Tour Operators	18.7	N/A	16.7	17.7
Other	13.3	N/A	8.6	15.9

*Arithmetic mean.
N/A—Not available.

Exhibit I-4
Nationality of Guests—1986*
All Hotels—Africa and the Middle East

	Rank		Total Region	Northern Africa	Southern Africa	Middle East
	1986	1985				
Middle East	1	1	25.3%	N/A	9.7%	35.6%
French	2	3	13.5	N/A	21.3	8.0
Other African	3	7	11.9	N/A	26.3	4.2
British	4	4	10.5	N/A	11.2	9.9
American	5	2	8.9	N/A	4.9	11.8
Other European	6	6	8.6	N/A	9.7	7.8
German	7	5	5.0	N/A	3.8	5.4
Other Asian	8	8	4.1	N/A	2.2	5.0
Japanese	9	10	3.4	N/A	1.5	4.7
Italian	10	9	3.0	N/A	3.4	2.3
North African	11	13	1.5	N/A	1.8	0.8
Canadian	12	12	1.3	N/A	1.7	1.1
Scandinavian	13	11	1.2	N/A	0.9	1.2
Australasia	14	14	0.6	N/A	0.4	0.8
South American	15	15	0.5	N/A	0.6	0.4
Caribbean	16	N/A	0.4	N/A	**	0.8
Central American	17	16	0.3	N/A	0.6	0.2
Mexican	18	17	**	N/A	**	**

*Arithmetic mean.
**Less than 0.05 percent.
N/A—Not available.

Exhibit I-5
Comparison of Sales and Profitability*—Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1986	1985	1986	1985	1986	1985	1986	1985
Amounts Per Available Room								
Total Sales	$24,102	$25,940	$23,421	$29,065	$24,227	$16,591	$24,192	$26,755
Income Before Fixed Charges	4,379	4,067	7,603	7,335	3,359	3,765	4,066	5,373
Net Income** or (Loss)	$ 1,874	$ 2,669	$ 4,419	$ 1,963	$ 852	$ 1,450	$ 1,830	$ 2,912
Ratio of Income Before Fixed Charges								
Room Sales	43.6%	49.1%	44.9%	50.0%	37.4%	32.5%	42.5%	55.0%
Total Sales	18.9	21.4	28.6	18.4	17.6	16.2	18.1	23.8
Number of Times Average Rate Was Earned	89	111	151	152	69	84	95	110
Increase (Decrease)	(19.8)		(0.7)		(17.9)		(13.6)	

*All figures are medians.
**Before income tax.

Exhibit I-6
Occupancy, Double Occupancy, Room Rates*—Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1986	1985	1986	1985	1986	1985	1986	1985
Annual Room Occupancy	55.9%	61.8%	62.6%	72.7%	58.0%	67.6%	49.6%	56.9%
Number of Guests Per Room	1.22	1.20	1.41	1.84	1.22	1.18	1.18	1.19
Average Daily Rate								
Per Room (U.S. Dollars)	$58.72	$54.24	$39.32	$30.08	$59.71	$39.56	$63.84	$64.32
Per Guest (U.S. Dollars)	50.23	43.67	**	**	47.03	31.96	51.44	52.03

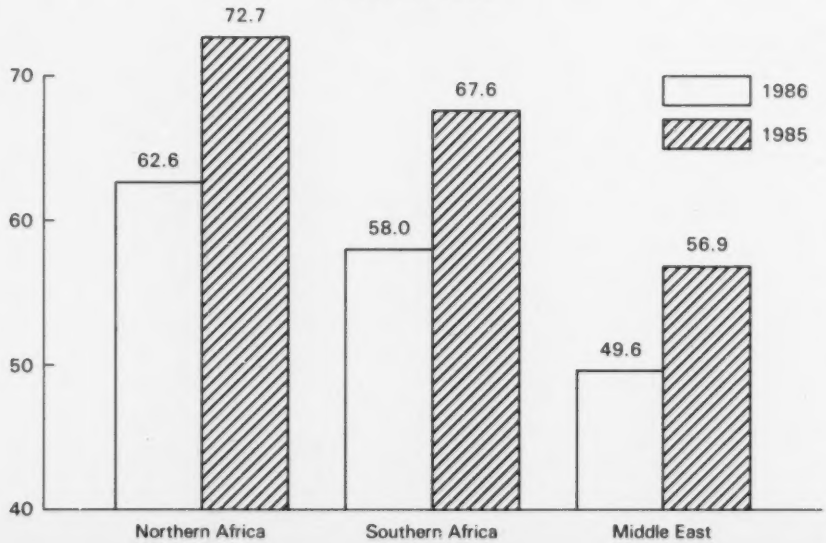
*All figures are medians.
**Insufficient data.

Exhibit I-7
Percentage of Hotels Utilizing Various Technologies—Africa and the Middle East*

	Total Region	Northern Africa	Southern Africa	Middle East
Computerized Reservation System	27.7%	50.0%	20.0%	29.3%
Computerized Guest Accounting	29.2	16.6	24.0	34.1
Computerized Accounting System (General Ledger)	62.5	66.6	64.0	61.0
Computerized Energy Management System	8.3	**	**	14.6
Automatic Checkout Machines	6.9	**	4.0	9.8
Electronic Card Key System	1.4	**	4.0	**
Direct Dialing for International Telephone Calls	75.0	50.0	76.0	78.0
Least Cost Routing for Guest Telephone Calls	34.7	16.6	28.0	41.5
Point of Sales Terminals for Food & Beverage Outlets	37.5	33.3	28.0	43.9
Fire Detectors (Heat or Smoke)	79.2	100.0	52.0	92.7
Microcomputers Available for Guest Use	11.1	16.6	8.0	12.2

*Based on hotels supplying data.
**Insufficient response.

Chart 3
Region I: Africa and the Middle East
Occupancy Rates
1986 vs. 1985



Occupancy and average rate

As indicated in Exhibit I-6, occupancy rates for the region declined from 61.8 percent in 1985 to 55.9 percent in 1986. This is the lowest occupancy rate for any region included in this report and represents a 9.5 percent decline from 1985. Internal strife within this region is a factor leading to the poor performance in occupancies.

Chart 3 compares 1985 and 1986 occupancy rates for the subregions in this section of the report.

Use of technology and guest services

Exhibit I-7 presents the percentage of participating hotels using different technological systems. Approximately one in every four hotels in this region uses a computerized reservation system, while more than half of the properties utilize a computerized general ledger accounting system. Both of these figures represent increases over the comparable 1985 figures and show the increasing use of computer technology within this region.

Analysis of sales

Room sales provided the largest source of revenue for all three subregions, with Southern African properties indicating the highest proportion with 57 percent. All subregions indicate a larger percentage of hotel sales from rooms department than during 1985, and less of a percentage derived from food sales.

Exhibit I-8
Percentage of Hotels Offering Various Guest Services*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Airport Transportation	66.2%	33.3%	65.4%	71.4%
Audio-Visual Equipment	81.1	83.3	84.6	78.6
Auto Rental Services	83.8	83.3	80.8	85.7
Concierge Services	86.5	83.3	76.9	92.9
Health Club Facilities	43.2	66.7	19.2	54.8
Multilingual Staff	78.4	83.3	73.1	80.9

*Based on hotels supplying data.

Exhibit I-9
Composition of Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Arica	Middle East
Rooms	53.1%	53.4%	55.9%	51.1%
Food	21.7	12.4	21.6	24.9
Beverage	8.3	4.2	9.5	8.8
Telephone	7.1	5.6	7.9	7.1
Minor Operated Departments	3.5	6.1	1.9	3.6
Rentals & Other Income	6.3	18.3	3.2	4.5
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Summary

The remaining exhibits provide information on ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by type of department and are reported in medians. It is important to note that columns of median numbers cannot be totaled when using the indices. Each line item should be analyzed separately.

Exhibit I-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Telephone				
Amount Per Available Room				
Sales	$1,427	$1,629	$1,321	$1,504
Cost of Sales				
Cost of Calls	1,073	1,223	1,173	1,011
Equipment Rental	55	**	52	73
Total	1,125	1,223	1,145	1,121
Payroll & Related Expenses	11[illegible]	64	77	161
All Other Expenses	12	15	11	12
Total Cost & Expenses	1,238	1,237	1,196	1,258
Net Departmental Income or (Loss)	$ 249	$ 192	$ 300	$ 293
Ratio to Total Sales				
Sales	6.2%	6.9%	6.4%	5.7%
Cost of Sales	4.4	5.6	4.5	4.2
Payroll & Related Expenses	0.5	0.1	0.3	0.7
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 735	$ 956	$ 476	$ 843
Cost of Sales	128	239	108	136
Payroll & Related Expenses	144	120	104	188
Other Expenses	84	153	67	81
Total Costs & Expenses	352	541	265	475
Net Departmental Income	$ 142	$ 221	$ 89	$ 289
Ratio to Total Sales				
Sales	3.1%	2.5%	1.9%	3.6%
Cost of Sales	0.5	0.8	0.5	0.5
Payroll & Related Expenses	0.6	0.8	0.4	0.7
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 189	$ 207	$ 82	$ 188
Concessions	312	80	390	341
Commissions	71	**	70	71
Other	288	421	198	303
Total Rentals & Other Income	$ 602	$1,101	$ 457	$ 588
Ratio to Total Sales	2.6%	4.4%	1.8%	2.6%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit I-11
Food and Beverage Statistics*
Africa and the Middle East

	Total Region	Northern African	Southern Africa	Middle East
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$3,512	N/A	$3,394	$3,568
Room Service	685	N/A	586	718
Banquet	1,248	N/A	1,176	1,310
Bar/Lounge	265	N/A	330	251
Total	$6,692	$6,973	$5,737	$7,514
Ratio to Total Sales				
Dining Room	61.6%	N/A	63.5%	60.4%
Room Service	10.8	N/A	10.1	10.9
Banquet	22.1	N/A	22.1	19.6
Bar/Lounge	4.7%	N/A	5.1%	4.9%
Amount Per Seat				
Dining Room	$3,622	N/A	$2,952	$4,014
Banquet	963	N/A	720	899
Bar/Lounge	442	N/A	627	411
Total	$1,722	$2,049	$1,229	$1,967
Average Check				
Dining Room	$11.79	N/A	$11.79	$11.66
Room Service	8.10	N/A	7.85	8.27
Banquet	14.03	N/A	13.11	14.32
Total	$11.20	$ 7.09	$11.17	$11.86
Covers Served Per Seat				
Dining Room	381	472	272	402
Banquet	49	115	38	48

*All figures are medians and do not necessarily add to totals shown.
N/A—Not available.

(continued on next page)

Exhibit I-11 (continued)
Food and Beverage Statistics*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Room Service Sales				
Per Occupied Room				
Food	$ 3.59	N/A	$ 2.55	$ 4.24
Beverage	.84	N/A	.64	.85
Total	$ 4.44	N/A	$ 3.20	$ 5.63
Per Guest				
Food	$ 2.94	N/A	$ 1.50	$ 3.79
Beverage	.68	N/A	.54	.68
Total	$ 3.77	N/A	$ 2.05	$ 5.05
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 818	N/A	$1,056	$ 716
Room Service	152	N/A	152	148
Banquet	344	N/A	566	286
Bar/Lounge	1,327	N/A	1,056	1,605
Total	$2,567	$2,514	$2,888	$1,916
Ratio to Total Beverage Sales				
Dining Room	35.9%	N/A	35.2%	36.5%
Room Service	6.2	N/A	4.8	6.4
Banquet	15.8	N/A	17.0	13.7
Bar/Lounge	43.6	N/A	45.1	44.8
Ratio to Food Sales				
Dining Room	22.6	N/A	27.8	19.9
Room Service	22.2	N/A	29.4	20.1
Banquet	24.6	N/A	41.5	21.7
Total (Including Bar/Lounge)	39.0%	29.6%	44.0%	38.5%
Amount Per Seat				
Dining Room	$ 811	N/A	$ 856	$ 742
Banquet	206	N/A	240	137
Bar/Lounge	2,056	N/A	1,613	2,885
Total	$ 601	$ 769	$ 540	$ 541

*All figures are medians and do not necessarily add to totals shown.
N/A—Not available.

Exhibit I-12
Employment Statistics*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Employment Statistics				
Sales Per Employee				
Rooms	$52,495	N/A	$47,747	$53,266
Food & Beverage	24,966	27,162	20,341	25,759
Telephone	86,547	N/A	78,305	86,342
Minor Departments	23,160	N/A	12,752	24,416
Total Sales Per Employee	25,432	14,285	21,017	27,287
Productivity Index				
1986	3.28	4.88	3.80	2.94
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms				
Front Desk	7.9	N/A	7.6	7.9
Housekeeping	13.8	N/A	15.5	12.7
Food & Beverage	39.6	N/A	47.7	37.0
Telephone	2.0	N/A	2.1	1.9
Minor Operated Departments	3.6	N/A	4.5	3.5
Administrative & General	11.1	N/A	12.9	9.6
Marketing				
Sales	1.5	N/A	0.9	1.6
Other Marketing	0.6	N/A	0.9	0.6
Property Operation & Maintenance	8.3	N/A	9.1	8.3
Other	6.3	N/A	7.5	5.9
Total	103.9	188.2	117.0	94.2

*All figures are medians and do not necessarily add to totals shown.
N/A—Not available.

Exhibit I-13
Analysis of Undistributed Operating Expenses*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,555	$1,214	$1,542	$1,774
Other	1,262	947	1,469	1,269
Total	$2,793	$2,186	$3,005	$2,999
Ratio to:				
Room Sales	27.5%	27.2%	27.3%	27.8%
Total Sales—1986	11.6	9.7	12.8	11.6
Total Sales—1985	10.4	8.0	15.5	9.7
Increase (Decrease)	11.5%	21.3%	(17.4)%	19.6%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 215	$ 151	$ 163	$ 335
Other	710	696	705	720
Total	$ 881	$ 800	$ 730	$1,076
Ratio to:				
Room Sales	8.3%	10.0%	6.6%	8.9%
Total Sales—1986	3.5	3.8	3.1	3.6
Total Sales—1985	3.3	3.3	2.7	3.6
Increase (Decrease)	6.1%	15.2%	14.8%	—
Energy Costs				
Cost Per Available Room	$1,255	$1,155	$1,992	$1,164
Ratio to:				
Room Sales	12.2%	10.7%	15.5%	11.9%
Total Sales—1986	5.6	5.4	7.5	5.0
Total Sales—1985	4.6	2.1	6.9	4.3
Increase (Decrease)	21.7%	157%	8.7%	16.3%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 690	$ 503	$ 642	$ 873
Other	939	1,027	981	907
Total	$1,677	$1,293	$1,654	$1,706
Ratio to:				
Room Sales	15.3%	16.5%	13.7%	17.2%
Total Sales—1986	6.9	7.0	6.4	8.1
Total Sales—1985	6.8	6.3	6.2	7.4
Increase (Decrease)	1.5%	11.1%	3.2%	9.5%

—No change.
*All figures are medians and do not necessarily add to totals shown.

Exhibit I-14
Energy Costs Per Occupied Room Per Day*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Fuel	$1.04	$ .97	$1.14	$ .80
Electricity	5.20	3.71	6.80	3.82
Water	.95	.29	1.13	1.02
Steam	.40	**	.26	.43
Credit for Sale of Energy	.21	.19	.22	.23
Net Energy Cost—1986	$6.72	$4.91	$9.27	$6.33
Net Energy Cost—1985	$5.20	$3.77	$6.54	$5.80
Increase (Decrease)	29.2%	30.2%	41.7%	9.1%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit I-15
Method of Payment for Hotel Services*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Cash	34.5%	N/A	30.9%	35.4%
Credit Card	20.2	N/A	18.9	21.5
All Other Credit	45.3	N/A	50.2	43.1

*Based on arithmetic mean.
N/A—Not available.

Exhibit I-16
Credit Card Commission
Annual Cost Per Occupied Room*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Annual Cost Per Occupied Room	$251	$174	$225	$309
Ratio to Total Sales	0.6%	0.4%	0.5%	0.6%

*All figures are medians.

Exhibit I-17
Credit Card Sales By Type of Card
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
American Express	59.7%	N/A	54.5%	62.3%
VISA	17.0	N/A	21.1	15.1
MasterCard	6.6	N/A	7.9	6.2
Diner's Club	14.2	N/A	15.3	13.3
Other	2.5	N/A	1.2	3.1

N/A—Not available.

Exhibit I-18

Fixed Charges—Median Amounts Per Room and Ratio to Total Sales
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Amount Per Room				
Leased Equipment	$ 199	••	••	$ 247
Rent	1,453	258	2,040	1,179
Property Taxes	282	••	234	361
Insurance on Buildings & Contents	150	160	104	152
Interest Expense	69	••	100	62
Depreciation & Amortization	795	851	723	833
Total Fixed Charges	$1,174	$1,744	$1,169	$ 984
Ratio to Total Sales—1986	5.0%	5.7%	5.0%	4.4%
Ratio to Total Sales—1985	5.5	8.9	11.3	3.3
Increase (Decrease)	(10.0)	(36.0)	(55.8)	33.3

••Insufficient response.

Exhibit I-19
Amount Per Available Room*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Average Annual Occupancy	55.9%	62.6%	58.0%	49.6%
Average Annual Room Rate	58.72	39.32	59.71	63.84
Revenues				
Rooms	$10,829	$ 7,791	$12,167	$10,911
Food	6,892	6,972	5,736	7,513
Beverage	2,566	2,513	2,887	1,915
Other Food & Beverage	260	218	322	258
Telephone	1,427	1,628	1,321	1,504
Minor Operated	735	956	476	842
Rentals & Other Income	601	1,101	456	587
Total	$24,102	$23,421	$24,227	$24,191
Department Expenses				
Rooms	$ 2,416	$ 1,693	$ 2,485	$ 2,554
Food & Beverage	7,401	7,103	7,198	7,552
Telephone	1,237	1,237	1,195	1,258
Minor Operated	352	541	265	475
Total	$12,685	$10,685	$13,192	$10,142
Department Profit				
Rooms	$ 8,244	$ 6,374	$ 9,225	$ 8,244
Food & Beverage	2,343	3,154	2,336	2,059
Telephone	248	192	300	293
Minor Operated	142	(220)	89	288
Rentals & Other Income	601	1,101	456	587
Total	$12,569	$12,929	$12,719	$12,569
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$ 1,555	$ 1,214	$ 1,542	$ 1,774
Other	1,261	946	1,468	1,269
Total	$ 2,792	$ 2,185	$ 3,004	$ 2,999
Marketing				
Payroll & Related	$ 215	$ 151	$ 162	$ 335
Other	710	696	705	719
Total	880	799	730	1,076
Energy Costs	$ 1,254	$ 1,154	$ 1,991	$ 1,163
Property Operations & Maintenance	$ 1,676	$ 1,293	$ 1,653	$ 1,706
Total Undistributed Operating Expenses	$ 7,302	$ 5,288	$ 7,910	$ 7,401
Income Before Management Fees	5,304	7,607	4,624	4,924
Management Fees (Base & Incentive)	1,310	2,200	1,310	1,284
Income Before Fixed Charges	$ 4,378	$ 7,603	$ 3,359	$ 4,066
Fixed Charges	$ 1,174	$ 1,743	$ 1,169	$ 984
Income Before Income Taxes	$ 1,857	$ 4,419	$ 852	$ 1,829
Reserve for Capital Replacement	$ 1,164	**	$ 1,187	$ 961

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit I-20
Ratio to Total Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Average Annual Occupancy	55.9%	62.6%	58.0%	49.6%
Average Annual Room Rate	58.72	39.32	59.71	63.84
Revenues				
Rooms	43.8%	40.1%	47.2%	42.4%
Food	27.8	31.6	26.0	28.1
Beverage	11.0	9.5	11.5	9.2
Other Food & Beverage	1.1	1.0	1.3	1.1
Telephone	6.1	6.9	6.3	5.6
Minor Operated	3.0	2.4	1.8	3.6
Rentals & Other Income	2.6%	4.4%	1.8%	2.5%
Total				
Department Expenses				
Rooms	9.6%	7.0%	8.5%	10.5%
Food & Beverage	30.7	28.0	30.4	31.2
Telephone	4.8	5.5	4.8	4.8
Minor Operated	1.3	2.3	1.1	1.4
Total	6.9%	6.8%	7.9%	5.7%
Department Profit				
Rooms	33.5%	31.8%	36.7%	30.8%
Food & Beverage	10.7	14.7	11.4	8.6
Telephone	1.1	0.7	1.5	1.4
Minor Operated	0.7	(0.8)	0.5	1.3
Rentals & Other Income	2.6	4.4	1.8	2.5
Total	51.8%	55.4%	52.3%	51.4%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	6.3%	5.5%	6.5%	6.3%
Other	5.0	4.3	5.7	5.1
Total	11.5%	9.7%	12.8%	11.5%
Marketing				
Payroll & Related	0.8%	0.5%	0.5%	1.1%
Other	2.9	3.2	2.9	2.7
Total	3.4%	3.7%	3.1%	3.5%
Energy Costs	5.6%	5.3%	7.5%	5.0%
Property Operations & Maintenance	6.8%	6.9%	6.4%	8.0%
Total Undistributed Operating Expenses	28.9%	24.0%	30.9%	28.9%
Income Before Management Fees	23.0	30.2	21.4	22.3
Management Fees (Base & Incentive)	4.7	5.2	5.0	4.6
Income Before Fixed Charges	18.9%	28.5%	17.5%	18.1%
Fixed Charges	5.0%	5.6%	4.9%	4.4%
Income Before Income Taxes	7.8%	15.3%	3.7%	8.5%
Reserve for Capital Replacement	3.5%	**	3.5%	3.5%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Region I

Currency Conversion Tables
1986 vs. 1985 Percentage of Change
Africa and Middle East

	1986 Factor [$US/(x)]	1985 Factor [$US/(x)]	Percentage of Change
Subregion 1—Northern Africa			
Algeria	0.21330	0.20019	6.5%
Egypt	1.42860	1.42860	0%
Libya	2.91344	3.37780	(13.7)%
Morocco	0.10098	0.09992	1.1%
Tunisia	1.26795	1.20609	5.1%
Subregion 2—Southern Africa			
Benin	0.00229	0.00229	0%
C.F.A.*	0.00292	0.00229	27.5%
Ethiopia	0.48309	0.48309	0%
Gambia	0.14469	0.26457	(45.3)%
Ghana	0.01110	0.01839	(39.6)%
Kenya	0.05656	0.06103	(7.3)%
Lesotho	0.44271	0.45080	(1.8)%
Mauritius	0.07472	0.06550	14.1%
Nigeria	0.70233	1.02693	(31.6)%
Seychelles	0.16306	0.14153	15.2%
Sierre Leone	0.10341	0.19829	(47.8)%
South Africa	0.44271	0.45080	(1.8)%
Sudan	0.40000	0.43077	(7.1)%
Tanzania	0.03258	0.05774	(43.6)%
Zaire	0.01680	0.02000	(16.0)%
Zambia	0.13113	0.36073	(63.6)%
Zimbabwe	0.59823	0.66238	(9.7)%
Subregion 3—Middle East			
Bahrain	2.65960	2.65960	0%
Cyprus	1.94563	1.51204	28.7%
Iran	0.01277	0.01106	15.5%
Iraq	3.21690	3.21690	0%
Israel	0.67143	0.66689	0.7%
Jordan	2.86913	2.55750	12.2%
Kuwait	3.43933	3.33927	3.0%
Lebanon	0.02879	0.06112	(52.9)%
Oman	2.60078	2.60000	0%
Qatar	0.27473	0.27473	0%
Saudi Arabia	0.26885	0.27602	(2.6)%
Syrian Arab Republic	0.25478	0.25478	0%
Turkey	0.00136	0.00191	(28.8)%
United Arab Emirates	0.27241	0.27241	0%

Source: *International Financial Statistics.*
*United Republic of Cameroon, Central African Republic, Republic of Chad, People's Republic of the Congo, Republic of Gabon, Republic of the Ivory Coast, Republic of Niger and Republic of Senegal.

REGION II: ASIA AND AUSTRALASIA

Exhibit II-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Asia & Australasia

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	60%–70%
Average Rate	Between $40 and $50 (U.S.)
Sales Volume	Between $3–$6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales.
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1986.

Exhibit II-2
Highlights*
Asia and Australasia

- Total revenue increased 24.5 percent to $26,709 during 1986.
- Room occupancies decreased 0.6 percent to 67.9 percent, compared with 68.3 percent in 1985.
- The average daily rate per occupied room rose 19.6 percent to $51.65.

*Based on medians.

Profile of contributors

This region is broken down into the three subregions of Asia, Pacific Basin/ Far East and Australia. Exhibit II-1 profiles the typical contributor for the region. As previously mentioned, these characteristics should be carefully noted in interpreting data in the accompanying exhibits.

The median room occupancy rate for the region declined 0.6 percent to 67.9 percent in 1986. This occupancy rate is the second highest among the five regions examined in this publication. The average daily rate for this region stands at $51.65 and is the lowest rate among the five regions, although this represents an increase of 19.5 percent over the 1985 rate. The currency exchange table provided at the end of this section should be used to interpret dollar values, including room rates, which may be misleading due to fluctuations.

Chart 4 analyzes the source and distribution of the lodging industry dollar. Room sales provided the majority of revenue for hotels although the large food and beverage figures demonstrate a fair amount of dependency the hotels have in these departments. On the distribution side, increases in both payroll and departmental expenses led to a decrease in income before taxes from 1986.

Market data is provided in Exhibit II-3 for the entire region and subregion categories. Both the Asian and Pacific Basin/

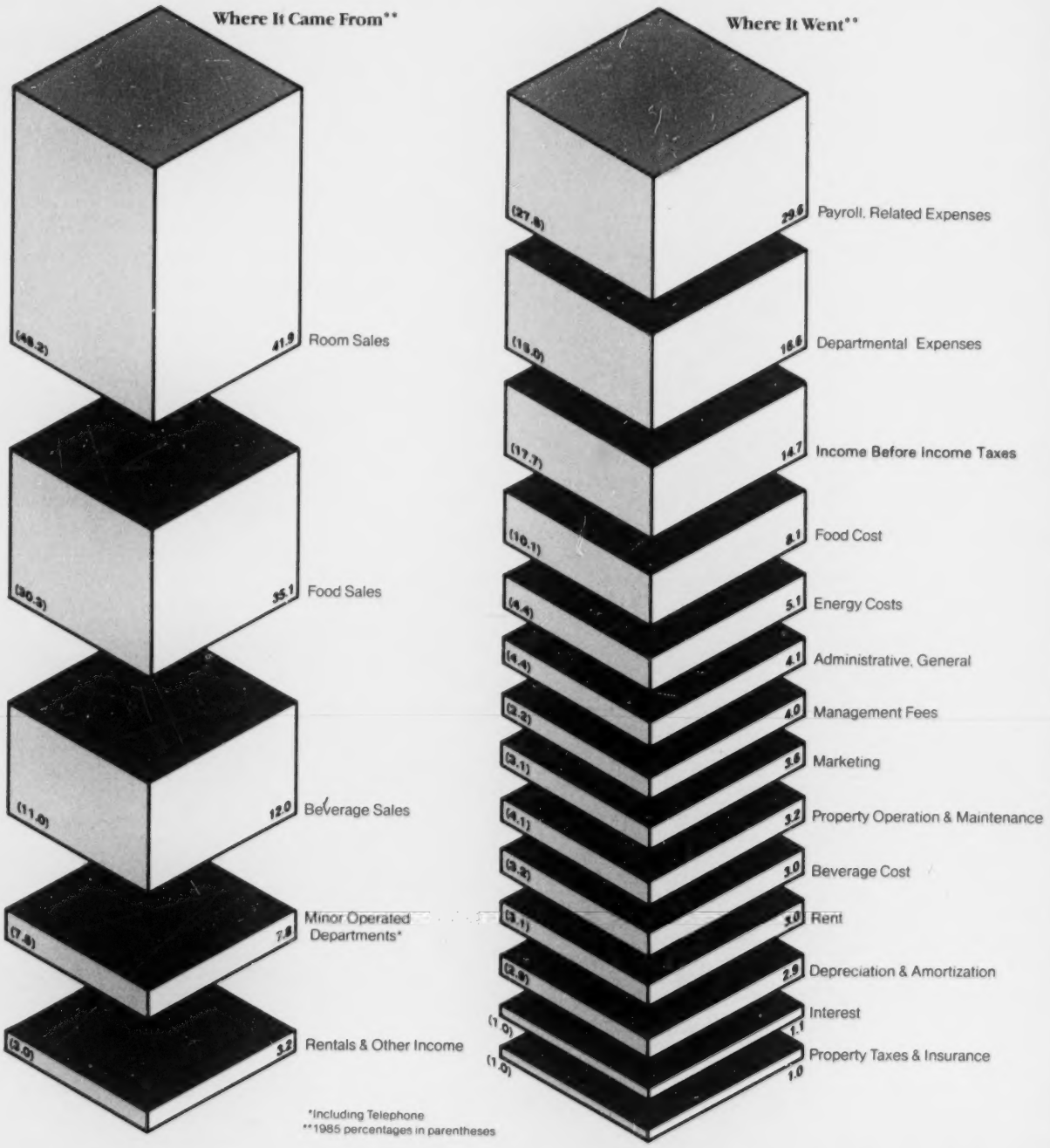
Exhibit II-3
Market Data*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Source of Business				
Domestic	49.6%	29.2%	38.2%	61.5%
Foreign	50.4	70.8	61.8	38.5
Percentage of Repeat Business	31.5	36.5	31.0	30.3
Composition of Market				
Government Officials	5.4	7.2	3.4	5.9
Business Travelers	34.9	43.2	32.9	33.6
Tourists	43.2	28.6	46.7	45.5
Conference Participants	7.5	6.4	5.9	8.5
Other	9.0	14.6	11.1	6.5
Percentage of Advance Reservations	89.4	86.2	86.4	92.3
Composition of Advance Reservations				
Direct	33.2	19.3	41.8	32.8
Reservation Systems	23.4	36.7	20.6	20.9
Travel Agents & Tour Operators	34.5	28.2	31.1	37.8
Other	8.9	15.8	6.5	8.5

*Arithmetic mean.

Chart 4

Asia and Australasia
Percentage Distribution of Revenue and Expenses


Where It Came From**
(48.2) 41.9 Room Sales
(30.3) 35.1 Food Sales
(11.0) 12.0 Beverage Sales
(7.8) 7.8 Minor Operated Departments*
(3.0) 3.2 Rentals & Other Income
Where It Went**
(27.8) 29.6 Payroll, Related Expenses
(16.0) 16.8 Departmental Expenses
(17.7) 14.7 Income Before Income Taxes
(10.1) 8.1 Food Cost
(4.4) 5.1 Energy Costs
(4.4) 4.1 Administrative, General
(3.2) 4.0 Management Fees
(3.1) 3.8 Marketing
(4.1) 3.2 Property Operation & Maintenance
(3.2) 3.0 Beverage Cost
(3.1) 3.0 Rent
(2.8) 2.9 Depreciation & Amortization
(1.0) 1.1 Interest
(1.0) 1.0 Property Taxes & Insurance

*Including Telephone
**1985 percentages in parentheses

Far East regions rely heavily on foreign sources for hotel guests, yet Australia had a much higher percentage of domestic visitors due in part to its geographic location. Although the largest market segment for the region was individual tourists and tour groups, business travelers provided significant demand for regions analyzed. Advance reservations represented nearly 90 percent of all rooms sold with virtually no variance in the subregions. The nationality breakdown of guests is displayed in Exhibit II-4.

Performance measurements

Total sales and income comparisons are presented for the region and subregions in Exhibit II-5. Median total sales per room increased for the region and all subregions. Net income per available room before income tax also grew in each subregion.

Exhibit II-4
Nationality of Guests—1986*
All Hotels—Asia and Australia

	Rank					
	1986	1985	Total Region	Asia	Pacific Basin/ Far East	Australia
Australasian	1	1	35.3%	9.1%	3.8%	60.0%
Japanese	2	4	17.8	11.2	36.9	9.4
American	3	2	16.7	10.4	22.1	15.6
Other Asian	4	3	14.1	38.3	19.5	3.9
British	5	6	4.2	7.4	4.1	3.2
Other European	6	5	2.8	6.0	2.6	2.0
German	7	8	2.1	4.5	2.4	1.2
Canadian	8	9	1.7	1.3	1.9	1.8
French	9	10	1.5	5.4	1.6	0.3
Italian	10	7	1.1	2.5	0.9	0.9
Middle Eastern	11	12	0.8	2.1	1.4	0.1
Scandinavian	12	13	0.6	1.1	1.1	0.2
Central American	13	11	0.5	0.1	0.5	0.6
South American	14	15	0.3	0.3	0.4	0.3
Mexican	15	17	0.2	0.1	0.1	0.2
Other African	15	14	0.2	0.1	0.5	0.2
North African	17	16	0.1	0.1	0.2	0.1
Caribbean	18	N/A	**	**	**	**

*Arithmetic mean.
**Less than 0.05 percent.
N/A—Not available.

Exhibit II-5

Comparison of Sales and Profitability*
Asia and Australasia

	Total Region		Asia		Pacific Basin/ Far East		Australia	
	1986	1985	1986	1985	1986	1985	1986	1985
Amounts Per Available Room								
Total Sales	$26,709	$21,444	$19,862	$19,113	$47,897	$34,889	$23,628	$20,340
Income Before Fixed Charges	5,952	4,202	4,191	3,235	14,438	12,945	5,273	3,952
Net Income** or (Loss)	$ 2,142	$ 1,566	$ 815	$ 1,042	$ 8,521	$ 5,394	$ 1,655	$ 1,021
Ratio of Income Before Fixed Charges								
Room Sales	45.4%	43.1%	45.9%	44.0%	70.6%	71.7%	39.4%	38.1%
Total Sales	20.3	27.0	23.0	26.9	27.1	28.4	19.6	21.3
Number of Times Average Rate Was Earned	108	120	102	103	225	231	103	108
Increase (Decrease)	(10.0)		(1.0)		(2.6)		(4.6)	

*All figures are medians.
**Before income tax.

Exhibit II-6

Occupancy, Double Occupancy, Room Rates*—Asia and Australasia

	Total Region		Asia		Pacific Basin/ Far East		Australia	
	1986	1985	1986	1985	1986	1985	1986	1985
Annual Room Occupancy	67.9%	68.3%	60.8%	65.7%	78.4%	81.0%	68.5%	67.6%
Number of Guests Per Room	1.46	1.52	1.31	1.28	1.54	1.44	1.75	1.56
Average Daily Rate								
Per Room (U.S. Dollars)	$51.65	$43.19	$41.46	$41.33	$69.81	$58.90	$50.85	$41.24
Per Guest (U.S. Dollars)	36.15	31.41	36.15	33.18	46.12	41.93	30.63	28.60

*All figures are medians.

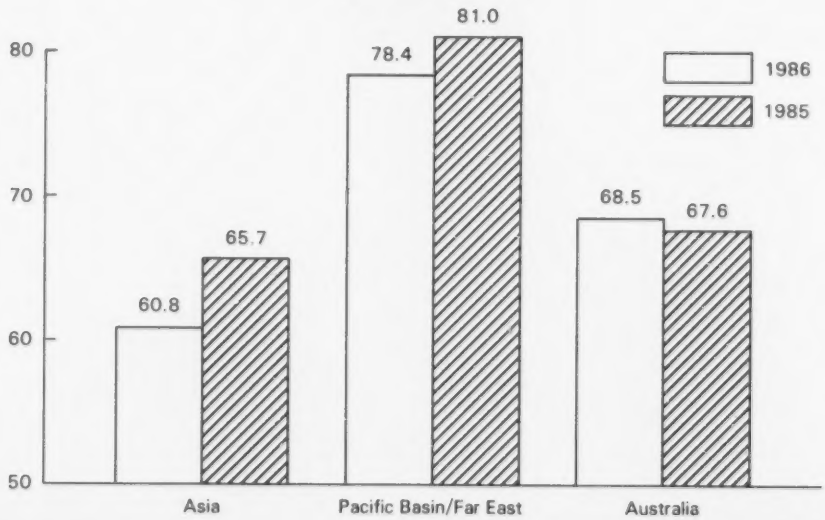
Exhibit II-7

Percentage of Hotels Utilizing Various Technologies*—Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Computerized Reservation System	62.8%	64.7%	75.6%	55.6%
Computerized Guest Accounting	69.0	82.4	78.8	60.3
Computerized Accounting System (General Ledger)	76.1	76.5	78.8	74.6
Computerized Energy Management System	38.1	29.4	36.4	41.3
Automatic Checkout Machines	9.7	23.5	12.1	4.8
Electronic Card Key System	4.4	17.6	6.1	**
Direct Dialing for International Telephone Calls	86.7	94.1	75.8	90.5
Least Cost Routing for Guest Telephone Calls	46.0	41.2	42.4	49.2
Point of Sales Terminals for Food & Beverage Outlets	52.2	76.5	75.8	33.3
Fire Detectors (Heat or Smoke)	92.0	88.2	93.9	92.1
MicroComputers Available for Guest Use	18.6	29.4	27.3	11.1

*Based on hotels supplying data.
**Insufficient response.

Chart 5
Region II: Asia and Australia
Occupancy Rates
1986 vs. 1985



Occupancy and average rate

As indicated in Exhibit II-6, occupancy rates for the region fell from 68.3 percent in 1985 to 67.9 percent in 1986. The Asian properties reported the most dramatic decline in occupancies, yet occupancy rates in Australia rose to 68.5 percent, 1.3 percent above the 1985 level. The lack of highly negative events (e.g. terrorism) and increased promotional efforts on an international basis helped contribute to this increase in performance.

Chart 5 presents a comparison of 1985 and 1986 occupancy rates for the subregions in this section.

Use of technology and guest services

Exhibit II-7 shows the different technological systems used by hotels surveyed. Approximately 63 percent of all respondents in this region use a computerized reservation system, while 38.1 percent of the hotels have computerized energy management systems installed. The least used item among those listed is the electronic card key system, used by only 4.4 percent of hotels.

The majority of hotels surveyed offer a variety of guest services, including auto rental and airport transportation (Exhibit II-8).

Analysis of sales

Room sales provided the largest proportion of total sales for the region and subregions, followed by food sales. Australia relied more on beverage sales than the other two subregions, as a substantial amount of revenue for hotels was derived outside of room sales. Exhibit II-9 outlines these figures.

Exhibit II-8
Percentage of Hotels Offering Various Guest Services*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Airport Transportation	60.5%	77.8%	72.7%	49.2%
Audio-Visual Equipment	85.1	83.3	72.7	92.1
Auto Rental Services	80.7	83.3	78.8	80.9
Concierge Services	76.3	72.2	78.8	76.2
Health Club Facilities	55.3	94.4	54.5	44.4
Multilingual Staff	67.5	72.2	72.7	63.5

*Based on hotels supplying data.

Exhibit II-9
Composition of Sales*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Rooms	50.8%	54.1%	46.3%	51.9%
Food	27.7	21.8	32.5	27.4
Beverage	10.3	7.1	9.2	12.2
Telephone	3.8	7.2	3.2	2.9
Minor Operated Departments	4.1	2.3	5.5	3.9
Rentals & Other Income	3.3	7.5	3.3	1.7
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Summary

The remaining exhibits provide information on ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by department type and reported in medians. It is important to note that columns of median numbers cannot be totaled when using the indices; each line item should be analyzed separately.

Exhibit II-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Telephone				
Amount Per Available Room				
Sales	$875	$1,093	$1,436	$692
Cost of Sales				
Cost of Calls	644	772	1,206	534
Equipment Rental	91	58	94	98
Total	681	808	1,218	517
Payroll & Related Expenses	129	34	175	189
All Other Expenses	7	8	7	5
Total Cost & Expenses	844	900	1,201	670
Net Departmental Income or (Loss)	$ 47	$ 278	$ 198	$ (31)
Ratio to Total Sales				
Sales	3.5%	5.9%	3.2%	3.2%
Cost of Sales	2.7	4.6	2.7	2.5
Payroll & Related Expenses	0.5	0.2	0.4	0.7
Minor Operated Departments				
Amount Per Available Room				
Sales	$603	$ 616	$1,630	$418
Cost of Sales	210	123	391	224
Payroll & Related Expenses	122	76	154	158
Other Expenses	45	38	58	39
Total Costs & Expenses	329	260	606	264
Net Departmental Income	$182	$ 187	$ 937	$117
Ratio to Total Sales				
Sales	2.3%	3.2%	3.8%	1.8%
Cost of Sales	0.8	0.7	0.8	0.8
Payroll & Related Expenses	0.4	0.4	0.5	0.5
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$155	$ 226	$ 177	$ 66
Concessions	81	300	47	68
Commissions	18	12	48	10
Other	277	308	473	170
Total Rentals & Other Income	$511	$ 820	$ 607	$256
Ratio to Total Sales	1.6%	4.0%	1.6%	0.9%

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-11
Food and Beverage Statistics*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$4,535	$3,632	$ 7,285	$4,429
Room Service	628	523	582	684
Banquet	1,828	1,184	2,282	1,693
Bar/Lounge	230	33	424	123
Total	$7,069	$5,468	$13,894	$6,872
Ratio to Total Sales				
Dining Room	67.0%	70.2%	63.0%	68.5%
Room Service	7.4	6.3	5.8	10.1
Banquet	24.8	22.6	25.8	24.9
Bar/Lounge	2.7	0.6	3.7	1.1
Amount Per Seat				
Dining Room	$4,590	$3,893	$ 8,196	$4,298
Banquet	1,072	781	2,072	1,022
Bar/Lounge	604	156	753	396
Total	$2,265	$1,605	$ 4,331	$2,059
Average Check				
Dining Room	$ 8.66	$ 6.90	$ 8.78	$ 8.89
Room Service	6.46	4.94	6.53	6.61
Banquet	9.88	6.89	12.27	9.94
Total	$ 8.76	$ 6.06	$ 10.28	$ 9.04
Covers Served Per Seat				
Dining Room	$ 562	$ 544	$ 836	$ 439
Banquet	118	105	155	101

*All figures are medians and do not necessarily add to totals shown.

(continued on next page)

Exhibit II-11 (continued)
Food and Beverage Statistics*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Room Service Sales				
Per Occupied Room				
Food	$ 2.40	$ 1.97	$ 2.16	$ 2.77
Beverage	.57	.25	.25	1.11
Total	$ 2.84	$ 2.12	$ 2.45	$ 3.77
Per Guest				
Food	$ 2.01	$ 1.98	$ 1.64	$ 2.29
Beverage	.29	.22	.19	.38
Total	$ 1.95	$ 2.14	$ 1.85	$ 1.95
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$1,102	$ 653	$1,197	$1,120
Room Service	141	57	81	242
Banquet	418	265	344	667
Bar/Lounge	1,222	783	1,696	1,145
Total	$3,002	$1,974	$3,925	$3,022
Ratio to Total Beverage Sales				
Dining Room	30.3%	38.7%	29.8%	30.2%
Room Service	3.6	1.9	1.7	10.0
Banquet	14.0	12.8	12.7	17.5
Bar/Lounge	45.9%	42.0%	41.4%	48.4%
Ratio to Food Sales				
Dining Room	22.3%	20.1%	15.8%	24.6%
Room Service	16.3	12.5	10.6	53.9
Banquet	29.8	22.4	23.6	36.3
Total (Including Bar/Lounge)	42.5%	36.6%	31.7%	18.8%
Amount Per Seat				
Dining Room	$1,017	$ 830	$1,250	$1,017
Banquet	324	106	449	330
Bar/Lounge	3,009	1,746	2,848	3,495
Total	$ 981	$ 592	$1,499	$1,006

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-12
Employment Statistics*
Asia and Australia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Employment Statistics				
Sales Per Employee				
Rooms	$55,798	$26,052	$59,933	$63,107
Food & Beverage	29,043	12,463	25,029	35,099
Telephone	60,630	55,387	72,798	60,198
Minor Departments	20,486	10,169	28,039	15,541
Total Sales Per Employee	$32,014	$13,157	$33,967	$37,152
Productivity Index				
1986	3.11	4.23	4.35	2.68
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms				
Front Desk	9.5	14.2	12.9	7.3
Housekeeping	15.7	21.2	22.2	11.8
Food & Beverage	46.9	63.6	64.5	30.3
Telephone	1.9	2.3	2.3	1.5
Minor Operated Departments	4.2	6.7	7.3	2.8
Administrative & General	8.2	14.7	10.9	5.9
Marketing				
Sales	2.1	2.2	2.7	1.5
Other Marketing	0.9	1.4	0.9	0.9
Property Operation & Maintenance	4.7	9.8	8.4	2.7
Other	3.9	6.7	6.3	3.1
Total	101.9	152.6	124.2	70.4

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-13
Analysis of Undistributed Operating Expenses*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,198	$ 805	$1,289	$1,295
Other	994	690	1,418	1,001
Total	$2,284	$1,547	$2,436	$2,319
Ratio to:				
Room Sales	18.4%	19.1%	14.4%	18.2%
Total Sales — 1986	8.5	8.5	6.0	9.3
Total Sales — 1985	8.6	8.4	5.8	9.3
Increase (Decrease)	(1.2)%	1.2%	3.4%	—
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 291	$ 181	$ 392	$ 251
Other	1,015	1,001	1,260	712
Total	$1,265	$1,182	$1,603	$ 925
Ratio to:				
Room Sales	9.1%	13.5%	8.4%	7.2%
Total Sales — 1986	3.9	5.7	3.8	3.2
Total Sales — 1985	3.6	4.9	4.0	2.6
Increase (Decrease)	8.3%	16.3%	(0.1)%	23.1%
Energy				
Cost Per Available Room	$1,145	$1,393	$2,285	$ 798
Ratio to:				
Room Sales	9.0%	16.0%	14.6%	6.6%
Total Sales — 1986	4.2	7.4	5.7	3.3
Total Sales — 1985	4.4	7.7	4.7	3.6
Increase (Decrease)	(4.5)%	(3.9)%	21.3%	(8.3)%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 410	$ 343	$ 710	$ 382
Other	728	590	911	552
Total	$1,153	$ 984	$1,673	$ 889
Ratio to:				
Room Sales	8.9%	12.0%	8.1%	8.8%
Total Sales — 1986	4.3	4.8	4.4	4.0
Total Sales — 1985	4.3	7.2	4.8	3.9
Increase (Decrease)	—	(33.3)%	(8.3)%	2.6%

*All figures are medians and do not necessarily add to totals shown.
— No change.

Exhibit II-14
Energy Costs Per Occupied Room Per Day*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Fuel	$ .72	$ .80	$ .86	$ .61
Electricity	3.78	5.60	5.64	2.41
Water	.67	.65	.90	.54
Steam	.80	.63	**	.38
Credit for Sale of Energy	.42	1.02	.35	.12
Net Energy Cost — 1986	$4.88	$6.92	$10.16	$3.28
Net Energy Cost — 1985	$4.30	$6.63	$ 6.98	$3.17
Increase (Decrease)	13.5%	4.4%	45.6%	3.5%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit II-15
Method of Payment for Hotel Services*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Cash	27.3%	23.1%	35.2%	23.9%
Credit Card	34.8	35.3	29.5	37.9
All Other Credit	37.9	41.6	35.3	38.2

*Based on arithmetic mean.

Exhibit II-16
Credit Card Commission
Annual Cost Per Occupied Room*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Annual Cost Per Occupied Room	$369	$379	$585	$296
Ratio to Total Sales	1.0%	1.1%	1.3%	0.9%

*All figures are medians.

Exhibit II-17
Credit Card Sales By Type of Card
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
American Express	48.6%	55.5%	50.4%	45.3%
VISA	14.2	17.6	18.2	10.6
MasterCard	15.7	7.8	7.3	23.3
Diner's Club	12.9	13.4	11.6	13.6
Other	8.6	5.7	12.5	7.2

Exhibit II-18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Amount Per Room				
Leased Equipment	$ 111	**	$ 328	$ 82
Rent	1,237	256	388	2,761
Property Taxes	316	113	349	325
Insurance on Buildings & Contents	94	108	50	111
Interest Expense	320	210	268	353
Depreciation & Amortization	1,140	1,140	1,686	879
Total Fixed Charges	2,402	1,511	2,696	2,646
Ratio to Total Sales—1986	9.6%	9.3%	7.0%	9.8%
Ratio to Total Sales—1985	13.3	15.4	5 1	13.7
Increase (Decrease)	(27.9)	(39.7)	37.2	(28.5)

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit II-19
Amount Per Available Room*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Average Annual Occupancy	67.9%	60.8%	78.3%	68.5%
Average Annual Room Rate	$ 51.65	$ 41.46	$ 69.81	$ 50.85
Revenues				
Rooms	$12,698	$ 9,138	$21,138	$12,280
Food	7,068	5,467	13,893	6,872
Beverage	3,002	1,973	3,925	3,021
Other Food & Beverage	302	202	366	450
Telephone	875	1,092	1,436	691
Minor Operated	602	615	1,630	417
Rentals & Other Income	511	819	607	256
Total	$26,709	$19,862	$47,897	$23,628
Department Expenses				
Rooms	$ 3,392	$ 1,873	$ 3,864	$ 3,727
Food & Beverage	7,694	5,486	12,840	7,631
Telephone	844	899	1,200	669
Minor Operated	329	260	606	264
Total	$11,645	$ 8,462	$15,697	$10,873
Department Profit				
Rooms	$ 8,632	$ 7,184	$16,565	$ 8,370
Food & Beverage	2,438	2,043	5,835	1,652
Telephone	47	278	197	(31)
Minor Operated	182	187	936	117
Rentals & Other Income	511	819	607	256
Total	$12,176	$11,131	$25,760	$11,077
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$ 1,198	$ 804	$ 1,288	$ 1,294
Other	993	690	1,418	1,001
Total	$ 2,283	$ 1,546	$ 2,436	$ 2,318
Marketing				
Payroll & Related	$ 291	$ 181	$ 392	$ 250
Other	1,015	1,001	1,260	711
Total	$ 1,264	$ 1,182	$ 1,603	$ 925
Energy Costs	$ 1,145	$ 1,392	$ 2,285	$ 797
Property Operations & Maintenance	$ 1,153	$ 983	$ 1,672	$ 889
Total Undistributed Operating Expenses	$ 6,173	$ 5,687	$ 8,811	$ 5,169
Income Before Management Fees	6,644	4,896	16,056	5,915
Management Fees (Base & Incentive)	1,047	884	1,737	1,042
Income Before Fixed Charges	$ 5,952	$ 4,191	$14,438	$ 5,273
Fixed Charges	$ 2,401	$ 1,511	$ 2,696	$ 2,645
Income Before Income Taxes	$ 2,141	$ 815	$ 8,520	$ 1,655
Reserve for Capital Replacement	$ 562	$ 511	$ 562	$ 575

*All amounts are medians and do not necessarily add to totals shown.

Exhibit II-20
Ratio to Total Sales*
Asia and Australasia

	Total Region	Asia	Pacific Basin/ Far East	Australia
Average Annual Occupancy	67.9%	60.8%	78.3%	68.5%
Average Annual Room Rate	$51.65	$41.46	$69.81	$50.85
Revenues				
Rooms	48.2%	45.4%	47.6%	50.6%
Food	27.0	29.0	31.6	26.3
Beverage	11.0	10.1	9.8	13.0
Other Food & Beverage	1.0	0.9	0.8	1.3
Telephone	3.4	5.8	3.1	3.1
Minor Operated	2.3	3.2	3.7	1.7
Rentals & Other Income	1.5	3.9	1.6	0.9
Total	100.0%	100.0%	100.0%	100.0%
Department Expenses				
Rooms	12.6%	9.8%	8.1%	16.6%
Food & Beverage	32.5	31.0	30.3	33.7
Telephone	3.0	5.0	2.7	2.9
Minor Operated	1.4	1.4	1.6	1.2
Total	6.8%	7.6%	16.3%	8.9%
Department Profit				
Rooms	34.1%	36.1%	36.9%	31.5%
Food & Beverage	9.4	10.1	13.0	7.3
Telephone	0.1	1.5	0.4	(0.1)
Minor Operated	0.7	0.9	1.7	0.5
Rentals & Other Income	1.5	3.9	1.6	0.9
Total	46.5%	48.6%	51.2%	37.5%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	4.6%	4.3%	3.4%	4.9%
Other	3.6	3.7	3.0	3.8
Total	8.5%	8.5%	6.0%	9.3%
Marketing				
Payroll & Related	0.9%	1.1%	1.0%	0.7%
Other	3.0	4.8	2.6	2.8
Total	3.9%	5.6%	3.8%	3.2%
Energy Costs	4.1%	7.3%	5.6%	3.3%
Property Operations & Maintenance	4.3%	4.8%	4.3%	4.0%
Total Undistributed Operating Expenses				
Income Before Management Fees	6.1%	5.1%	2.6%	4.3%
Management Fees (Base & Incentive)	3.6	4.2	3.7	3.2
Income Before Fixed Charges	5.3%	5.2%	6.4%	5.3%
Fixed Charges	9.5%	9.3%	6.9%	9.8%
Income Before Income Taxes	8.8%	3.2%	8.2%	6.4%
Reserve for Capital Replacement	2.6%	3.0%	2.4%	2.5%

*All amounts are medians and do not necessarily add to totals shown.

Region II

Currency Conversion Tables
1986 vs. 1985 Percentage of Change
Asia and Australasia

	1986 Factor [$US/(x)]	1985 Factor [$US/(x)]	Percentage of Change
Subregion 1—Asia			
India	0.07923	0.08195	(3.3)%
Nepal	0.04669	0.05453	(14.4)%
Pakistan	0.05999	0.06273	(4.4)%
South Korea	*	*	*
Sri Lanka	0.03564	0.03676	(3.1)%
Subregion 2—Far East			
Hong Kong	0.12840	0.13000	(1.2)%
Japan	0.00602	0.00428	40.6%
Malaysia	0.38632	0.40382	(4.3)%
Singapore	0.45982	0.45701	0.6%
Thailand	0.03805	0.03698	2.9%
Subregion 3—Pacific Basin			
Australia	0.67092	0.70117	(4.3)%
Brunei	*	*	*
Fiji	0.88368	0.87123	1.4%
French Polynesia	*	*	*
Guam	1.00000	1.00000	0%
Indonesia	0.00079	0.00090	(12.2)%
New Zealand	0.52780	0.50148	5.2%
Philippines	0.04882	0.05379	(9.2)%
Vanuatu	0.00940	0.00962	(2.3)%

Source: *International Financial Statistics.*
*Reported in U.S. Dollars. Conversion factor not available.

REGION III: NORTH AMERICA

Profile of contributors

For the first time in this report, the geographic subregions include only Canada and the United States, with Caribbean properties reported in Region V: Latin America/Caribbean. Because of this the reader should be careful when comparing total region figures for 1986 with earlier years in both of these regions. Exhibit III-1 provides information for the typical contributor for the region, which should be examined carefully.

For only the second time in the last six years room occupancies increased from the previous year for North American properties. Lower oil prices meant less expensive gasoline prices for many travelers within North America and thus increased short-haul automobile travel within this region. In addition, unfavorable currency exchange rates and overseas terrorism led to an increase in interregional travel. Occupancy rates grew 2.2 percent from 1985 to a level of 68.5 percent. Average daily rate for the region increased from the 1985 level to $61.66 per occupied room (Exhibit III-2).

A regional analysis of the source and distribution of the hotel industry dollar is illustrated in Chart 6. Little change occurred on the revenue side from 1985 with room sales providing the bulk of the revenue, followed by food sales. On the expenditure side, employee payroll and related expenses was by far the largest category.

Property taxes and insurance comprised a significantly larger share of expenses than in previous years, particularly for U.S. hotels.

Regional and subregional market data is presented in Exhibit III-3. Both Cana-

Exhibit III-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency North America

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600
Occupancy	65%–70%
Average Rate	$50–$65 (U.S.)
Sales Volume	$2–6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales.
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1986.

Exhibit III-2
Highlights* North America

- Total revenue rose 13.7 percent on a per room basis.
- Room occupancies rose 2.2 percent to 68.5 percent in 1986.
- Average daily rate increased 21.2 percent to $61.66 compared with $50.85 in 1985.

*Based on medians.

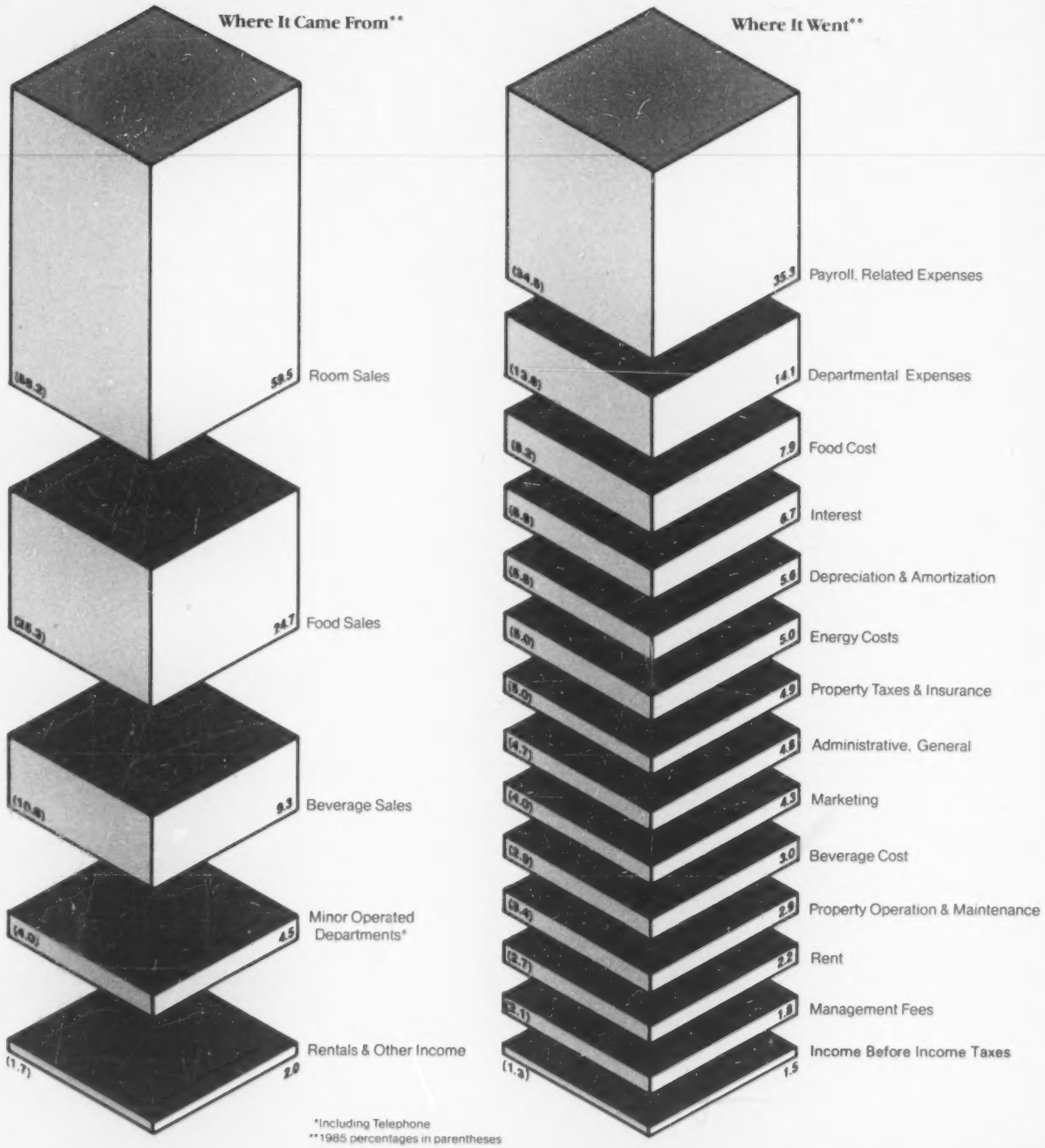
Exhibit III-3
Market Data* North America

	Total Region	Canada	United States
Source of Business			
Domestic	82.1%	72.3%	86.4%
Foreign	17.9	27.7	13.6
Percentage of Repeat Business	43.2	45.4	42.1
Composition of Market			
Government Officials	3.5	10.3	0.6
Business Travelers	36.2	32.6	37.8
Tourists	33.2	31.4	34.0
Conference Participants	18.9	17.9	19.2
Other	8.2	7.8	8.4
Percentage of Advance Reservations	77.2	78.5	76.6
Composition of Advance Reservations			
Direct	36.2	37.5	35.4
Reservation Systems	28.1	27.5	28.4
Travel Agents & Tour Operators	25.6	26.9	25.1
Other	10.1	8.1	11.1

*Arithmetic mean.

Chart 6

North America
Percentage Distribution of Revenue and Expenses


Where It Came From**
(59.2) 59.5 Room Sales
(25.3) 24.7 Food Sales
(10.6) 9.3 Beverage Sales
(4.0) 4.5 Minor Operated Departments*
(1.7) 2.0 Rentals & Other Income
Where It Went**
(34.8) 35.3 Payroll, Related Expenses
(13.6) 14.1 Departmental Expenses
(8.2) 7.9 Food Cost
(6.6) 6.7 Interest
(5.6) 5.6 Depreciation & Amortization
(5.0) 5.0 Energy Costs
(5.0) 4.9 Property Taxes & Insurance
(4.7) 4.8 Administrative, General
(4.0) 4.3 Marketing
(2.9) 3.0 Beverage Cost
(3.4) 2.9 Property Operation & Maintenance
(2.7) 2.2 Rent
(2.1) 1.8 Management Fees
(1.3) 1.5 Income Before Income Taxes

*Including Telephone
**1985 percentages in parentheses

dian and U.S. properties indicate that domestic travelers are by far the largest market segment. The nationality breakdown of guests is presented in Exhibit III-4. Canadian and American guests comprised more than 90 percent of all hotel guests in both subregions.

Performance measurements

Comparisons of total sales and income for properties surveyed in North America are presented in Exhibit III-5. Median total sales per available room rose for both Canadian and U.S. hotels, although the U.S. displayed a slightly faster rate of growth.

Exhibit III-4
Nationality of Guests—1986*
All Hotels—North America

	Rank		Total		
	1986	1985	Region	Canada	United States
American	1	1	70.4%	24.9%	90.3%
Canadian	2	2	22.1	67.3	2.3
British	3	3	1.3	1.1	1.3
Japanese	4	4	1.2	1.0	1.2
French	5	5	0.9	1.1	0.8
German	6	6	0.8	0.8	0.8
Other European	6	7	0.8	0.9	0.8
Italian	8	10	0.6	0.8	0.5
Other Asian	9	12	0.5	0.6	0.5
Mexican	10	11	0.4	0.1	0.5
Scandinavian	11	13	0.3	0.6	0.1
Australasian	11	9	0.3	0.3	0.3
Central American	13	14	0.2	0.2	0.1
South American	13	8	0.2	0.2	0.2
Other African	15	15	**	**	**
North African	15	17	**	**	0.1
Middle Eastern	15	16	**	0.1	0.1
Caribbean	15	N/A	**	**	0.1

*Arithmetic mean.
**Less than 0.05 percent.
N/A—Not available.

Exhibit III-5
Comparison of Sales and Profitability*
North America

	Total Region		Canada		United States	
	1986	1985	1986	1985	1986	1985
Amounts Per Available Room						
Total Sales	$23,963	$21,077	$23,963	$21,128	$24,097	$20,386
Income Before Fixed Charges	5,398	4,377	5,236	4,563	5,709	4,722
Net Income** or (Loss)	676	932	1,264	1,729	(52)	(56)
Ratio of Income Before Fixed Charges						
Room Sales	38.3%	39.4%	40.0%	38.6%	37.8%	44.9%
Total Sales	23.2	22.9	22.1	27.2	24.0	29.3
Number of Times Average Rate Was Earned	100	103	104	104	100	103
Increase (Decrease)	(2.9)		—		(2.9)	

*All figures are medians.
**Before income tax.
—No change.

Occupancy and average rate

Room occupancies for the region rose 2.2 percent to 68.5 percent in 1986. Canadian properties had a 1986 median occupancy rate of 69.2 percent, the highest among the two subregions. Average rate for the Canadian and U.S. subregions rose significantly during 1986, although the increase in rates showed little or no negative effects on bottom line performance. These figures are outlined in Exhibit III-6.

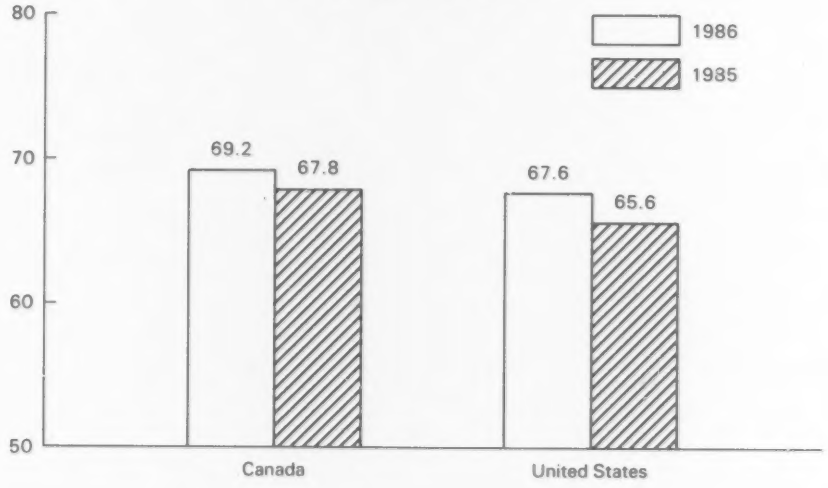
Occupancy rates for 1985 and 1986 for the subregions in this section of the report are illustrated in Chart 7.

Exhibit III-6
Occupancy, Double Occupancy, Room Rates*
North America

	Total Region		Canada		United States	
	1986	1985	1986	1985	1986	1985
Annual Room Occupancy	68.5%	67.0%	69.2%	67.8%	67.6%	65.6%
Number of Guests Per Room	1.47	1.49	1.43	1.50	1.65	1.34
Average Daily Rate						
Per Room (U.S. Dollars)	$61.66	$50.85	$51.26	$46.72	$66.92	$54.29
Per Guest (U.S. Dollars)	43.73	35.40	38.45	31.75	51.21	45.25

*All figures are medians.

Chart 7
Region III: North America
Occupancy Rates
1986 vs. 1985



Use of technology and guest services

Exhibit III-7 shows the percentage of hotels using various technologies. Nearly 80 percent of the hotels in the region use computerized reservation systems, guest accounting and general ledger accounting systems. U.S. properties use computerized energy management systems more often than those in Canada.

Exhibit III-8 presents the percentage of hotels offering different types of services to their guests. The exhibit is also helpful in understanding which types of hotels participated in this year's report.

Analysis of sales

Room sales provided the largest source of revenue for all three subregions, with American properties indicating the highest proportion at 67.3 percent. Both subregions indicated more than one-fourth of their revenue was derived from food and beverage sales combined (Exhibit III-9).

Exhibit III-7
Percentage of Hotels Utilizing Various Technologies*
North America

	Total Region	Canada	United States
Computerized Reservation System	79.5%	71.9%	83.7%
Computerized Guest Accounting	69.5	61.4	74.0
Computerized Accounting System (General Ledger)	75.8	77.2	75.0
Computerized Energy Management System	30.4	28.1	31.7
Automatic Checkout Machines	6.2	5.3	6.7
Electronic Card Key System	14.3	7.0	18.3
Direct Dialing for International Telephone Calls	63.5	61.4	70.6
Lease Cost Routing for Guest Telephone Calls	36.5	24.6	76.5
Point of Sales Terminals for Food & Beverage Outlets	60.5	68.4	55.8
Fire Detectors (Heat or Smoke)	93.4	96.5	91.3
Microcomputers Available for Guest Use	4.9	3.5	5.8

*Based on hotels supplying data.

Exhibit III-8
Percentage of Hotels Offering Various Guest Services*
North America

	Total Region	Canada	United States
Airport Transportation	64.5%	63.2%	65.2%
Audio-Visual Equipment	71.5	87.7	63.5
Auto Rental Services	64.5	63.2	65.2
Concierge Services	53.5	64.9	47.8
Health Club Facilities	49.4	61.4	43.5
Multilingual Staff	66.9	73.7	63.5

*Based on hotels supplying data.

Exhibit III-9
Composition of Sales*
North America

	Total Region	Canada	United States
Rooms	63.6%	55.8%	67.3%
Food	22.1	26.2	20.1
Beverage	8.7	12.9	6.7
Telephone	2.5	2.2	2.6
Minor Operated Departments	1.5	1.3	1.6
Rentals & Other Income	1.6	1.6	1.7
Total	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Summary

The remaining exhibits provide information on ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by department type and reported in medians. It is important to note that columns of median numbers cannot be totaled when using the indices. Each item should be analyzed separately.

Exhibit III-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*
North America

	Total Region	Canada	United States
Telephone			
Amount Per Available Room			
Sales	$627	$537	$697
Cost of Sales			
Cost of Calls	361	367	359
Equipment Rental	132	189	79
Total	488	539	443
Payroll & Related Expenses	215	185	253
All Other Expenses	12	7	16
Total Cost & Expenses	658	680	642
Net Departmental Income or (Loss)	$ 6	$(123)	$61
Ratio to Total Sales			
Sales	2.6%	2.5%	2.6%
Cost of Sales	2.0	2.5	1.8
Payroll & Related Expenses	0.8	0.7	0.8
Minor Operated Departments			
Amount Per Available Room			
Sales	$296	$259	$301
Cost of Sales	77	53	99
Payroll & Related Expenses	178	151	201
Other Expenses	40	25	46
Total Costs & Expenses	252	214	313
Net Departmental Income	$49	$56	$45
Ratio to Total Sales			
Sales	1.1%	1.1%	1.1%
Cost of Sales	0.3	0.2	0.4
Payroll & Related Expenses	0.6	0.6	0.7
Rentals & Other Income			
Amount Per Available Room			
Space Rentals	$153	$129	$157
Concessions	39	33	40
Commissions	31	23	38
Other	111	146	96
Total Rentals & Other Income	$291	$256	$298
Ratio to Total Sales	1.0%	1.0%	1.1%

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-11
Food and Beverage Statistics*
North America

	Total Region	Canada	United States
Food Sales—By Facility			
Amount Per Available Room			
Dining Room	$3,003	$3,085	$2,973
Room Service	498	425	594
Banquet	2,314	1,694	2,849
Bar/Lounge	203	220	141
Total	$6,158	$5,749	$6,424
Ratio to Total Sales			
Dining Room	53.0%	54.3%	51.6%
Room Service	7.5	6.9	8.1
Banquet	38.7	33.2	41.8
Bar/Lounge	2.8%	3.3%	1.7%
Amount Per Seat			
Dining Room	$4,904	$4,841	$4,956
Banquet	810	682	1041
Bar/Lounge	682	755	568
Total	$1,679	$1,298	$2,028
Average Check			
Dining Room	$ 8.29	$ 7.07	$ 9.05
Room Service	6.65	5.15	9.12
Banquet	12.50	9.50	15.83
Total	$ 8.83	$ 7.27	$10.36
Covers Served Per Seat			
Dining Room	$ 629	$ 702	$ 592
Banquet	98	105	84

*All figures are medians and do not necessarily add to totals shown.

(continued on next page)

Exhibit III-11 (continued)
Food and Beverage Statistics*
North America

	Total Region	Canada	United States
Room Service Sales			
Per Occupied Room			
Food	$ 2.04	$ 1.61	$ 2.31
Beverage	.50	.39	.61
Total	$ 2.53	$ 2.07	$ 3.04
Per Guest			
Food	$ 1.27	$ 1.18	$ 1.43
Beverage	.34	.33	.47
Total	$ 1.80	$ 1.50	$ 1.93
Beverage Sales — By Facility			
Amount Per Available Room			
Dining Room	$ 598	$ 598	$ 600
Room Service	127	94	148
Banquet	616	607	626
Bar/Lounge	1021	1227	866
Total	$2,464	$3,068	$2,207
Ratio to Total Beverage Sales			
Dining Room	23.0%	23.5%	22.8%
Room Service	4.6	3.6	5.8
Banquet	25.0	23.7	26.8
Bar/Lounge	44.2%	43.0%	44.4%
Ratio to Food Sales			
Dining Room	18.8%	20.8%	18.0%
Room Service	23.8	25.4	21.9
Banquet	26.9	35.8	22.5
Total (Including Bar/Lounge)	38.5%	49.5%	34.0%
Amount Per Seat			
Dining Room	$ 884	$1,057	$ 767
Banquet	229	246	204
Bar/Lounge	3,091	3,224	2,947
Total	$ 730	$ 879	$ 710

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-12
Employment Statistics*
North America

	Total Region	Canada	United States
Employment Statistics			
Sales Per Employee			
Rooms	$69,931	$63,243	$73,670
Food & Beverage	29,437	28,079	30,329
Telephone	48,895	44,736	53,840
Minor Departments	17,986	15,562	23,023
Total Sales Per Employee	$41,507	$34,553	$47,722
Productivity Index			
1986	2.87	2.85	2.88
Number of Full-Time Equivalent Employees Per 100 Available Rooms			
Rooms			
Front Desk	5.9	5.5	6.3
Housekeeping	13.7	14.5	13.5
Food & Beverage	28.9	33.5	24.8
Telephone	1.5	1.5	1.5
Minor Operated Departments	2.5	1.9	3.0
Administrative & General	4.4	5.2	3.9
Marketing			
Sales	1.7	1.6	1.7
Other Marketing	0.6	0.6	0.5
Property Operation & Maintenance	2.8	2.9	2.6
Other	2.8	2.8	2.6
Total	58.7	68.4	53.4

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-13
Analysis of Undistributed Operating Expenses*
North America

	Total Region	Canada	United States
Administrative & General			
Cost Per Available Room			
Payroll & Related Expenses	$1,243	$1,011	$1,386
Other	1,437	1,160	1,595
Total	$2,532	$2,307	$2,804
Ratio to:			
Room Sales	16.6%	16.2%	17.3%
Total Sales — 1986	10.5	9.2	11.1
Total Sales — 1985	9.6	9.3	10.0
Increase (Decrease)	9.4%	(1.1)%	11.0%
Marketing			
Cost Per Available Room			
Payroll & Related Expenses	$ 439	$ 270	$ 613
Other	1,077	808	1,197
Total	$1,448	$1,055	$1,667
Ratio to:			
Room Sales	9.3%	9.0%	9.6%
Total Sales — 1986	5.4	4.8	6.1
Total Sales — 1985	5.4	5.0	5.7
Increase (Decrease)	—	(4.0)%	7.0%
Energy Costs			
Cost Per Available Room	$1,067	$ 848	$1,159
Ratio to:			
Room Sales	7.1%	7.2%	7.1%
Total Sales — 1986	4.4	3.7	4.5
Total Sales — 1985	5.2	4.1	6.4
Increase (Decrease)	(15.4)%	(9.6)%	(29.7)%
Property Operation & Maintenance			
Cost Per Available Room			
Payroll & Related Expenses	$ 602	$ 464	$ 696
Other	703	703	703
Total	$1,310	$1,164	$1,409
Ratio to:			
Room Sales	9.2%	9.2%	9.5%
Total Sales — 1986	5.4	5.1	5.6
Total Sales — 1985	5.4	5.2	5.4
Increase (Decrease)	—	(1.9)%	3.7

*All figures are medians and do not necessarily add to totals shown.
— No change.

Exhibit III-14
Energy Costs Per Occupied Room Per Day*
North America

	Total Region	Canada	United States
Fuel	$ .85	$ .92	$ .83
Electricity	2.99	1.93	3.69
Water	.42	.33	.50
Steam	.89	1.57	.61
Credit for Sale of Energy	.12	.10	.18
Net Energy Cost — 1986	$4.31	$3.66	$4.74
Net Energy Cost — 1985	$4.58	$3.42	$5.48
Increase (Decrease)	(5.9)%	7.0%	(13.5)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-15
Method of Payment for Hotel Services*
North America

	Total Region	Canada	United States
Cash	28.2%	29.6%	27.5%
Credit Card	54.0	50.5	55.8
All Other Credit	17.8	19.9	16.7

*Based on arithmetic mean.

Exhibit III-16
Credit Card Commission
Annual Cost Per Occupied Room*
North America

	Total Region	Canada	United States
Annual Cost Per Occupied Room	$507	$424	$576
Ratio to Total Sales	1.4%	1.3%	1.5%

*All figures are medians.

Exhibit III-17
Credit Card Sales by Type of Card
North America

	Total Region	Canada	United States
American Express	47.3%	44.4%	48.7%
VISA	26.9	31.5	24.6
MasterCard	17.5	17.4	17.5
Diner's Club	4.4	2.9	5.3
Other	3.9	3.8	3.9

Exhibit III-18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
North America

	Total Region	Canada	United States
Amount Per Room			
Leased Equipment	$ 145	$ 123	$ 168
Rent	396	1,319	363
Property Taxes	806	1,324	570
Insurance on Buildings & Contents	229	117	312
Interest Expense	1,918	1,245	2,167
Depreciation & Amortization	1,918	1,300	2,507
Total Fixed Charges	$4,939	$3,664	$5,668
Ratio to Total Sales—1986	23.8%	13.8%	27.0%
Ratio to Total Sales—1985	17.3	15.7	21.2
Increase (Decrease)	37.5	(12.2)	27.3

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-19
Amount Per Available Room*
North America

	Total Region	Canada	United States
Average Annual Occupancy	68.5%	69.1%	67.5%
Average Annual Room Rate	$61.66	$51.26	$66.92
Revenues			
Rooms	$15,114	$12,940	$16,094
Food	6,158	5,749	6,424
Beverage	2,464	3,068	2,206
Other Food & Beverage	396	392	396
Telephone	627	536	696
Minor Operated	295	258	300
Rentals & Other Income	291	256	297
Total	$23,963	$23,963	$24,097
Department Expenses			
Rooms	$ 4,201	$ 3,723	$ 4,615
Food & Beverage	8,114	8,194	8,036
Telephone	658	680	642
Minor Operated	666	329	432
Total	$11,264	$12,693	$12,694
Department Profit			
Rooms	$10,667	$ 9,598	$11,763
Food & Beverage	865	1,324	580
Telephone	6	(123)	61
Minor Operated	49	55	45
Rentals & Other Income	291	256	297
Total	$12,528	$11,224	$13,142
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related	$ 1,242	$ 1,010	$ 1,386
Other	1,436	1,160	1,594
Total	$ 2,532	$ 2,306	$ 2,803
Marketing			
Payroll & Related	$ 438	$ 269	$ 613
Other	1,077	807	1,196
Total	$ 1,447	$ 1,055	$ 1,667
Energy Costs	1,066	$ 848	1,159
Property Operations & Maintenance	$ 1,310	$ 1,163	$ 1,409
Total Undistributed Operating Expenses	$ 6,315	$ 5,612	$ 7,027
Income Before Management Fees	5,847	5,847	5,843
Management Fees (Base & Incentive)	846	820	862
Income Before Fixed Charges	$ 5,397	$ 5,236	$ 5,708
Fixed Charges	$ 4,939	$ 3,664	$ 5,667
Income Before Income Taxes	$ 676	$ 1,264	$ (52)
Reserve for Capital Replacement	$ 733	$ 670	$ 754

*All amounts are medians and do not necessarily add to totals shown.

Exhibit III-20
Ratio to Total Sales*
North America

	Total Region	Canada	United States
Average Annual Occupancy	68.5%	69.1%	67.5%
Average Annual Room Rate	$61.66	$51.26	$66.92
Revenues			
Rooms	60.5%	56.0%	64.8%
Food	23.2	24.2	23.0
Beverage	9.5	12.5	7.6
Other Food & Beverage	1.5	1.6	1.4
Telephone	2.5	2.4	2.6
Minor Operated	1.0	1.1	1.0
Rentals & Other Income	1.0	1.0	1.0
Total			
Department Expenses			
Rooms	16.6%	15.0%	17.6%
Food & Beverage	29.9	32.6	27.9
Telephone	2.5	3.1	2.3
Minor Operated	0.6	0.4	0.2
Total	6.7%	11.2%	12.1%
Department Profit			
Rooms	44.0%	39.9%	45.7%
Food & Beverage	3.6	5.1	2.6
Telephone	0.0	(0.4)	0.2
Minor Operated	0.2	0.2	0.1
Rentals & Other Income	1.0	1.0	1.0
Total	51.4%	47.5%	53.9%
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related	4.7%	4.2%	5.2%
Other	5.4	4.6	5.5
Total	10.4%	9.1%	11.1%
Marketing			
Payroll & Related	1.6%	1.2%	2.1%
Other	4.0	3.7	4.5
Total	5.4%	4.7%	6.1%
Energy Costs	4.3%	3.6%	4.5%
Property Operations & Maintenance	5.4%	5.0%	5.6%
Total Undistributed Operating Expenses	25.9%	23.4%	27.1%
Income Before Management Fees	24.8	23.0	26.0
Management Fees (Base & Incentive)	3.1	3.5	3.0
Income Before Fixed Charges	23.2%	22.0%	24.0%
Fixed Charges	23.0%	13.8%	26.9%
Income Before Income Taxes	2.1%	6.9%	(0.2)%
Reserve for Capital Replacement	2.5%	2.5%	2.4%

*All amounts are medians and do not necessarily add to totals shown.

Region III

Currency Conversion Tables

1986 vs. 1985 Percentage of Change

North America

	1986 Factor [$US/(x)]	1985 Factor [$US/(x)]	Percentage of Change
Subregion 1—Canada			
Canada	0.71902	0.73118	(1.7)%
Subregion 2—United States			
United States	1.00000	1.00000	0%

Source: *International Financial Statistics.*

REGION IV: EUROPE

Profile of contributors

Presented in this section of the report is a statistical analysis of European contributors to this study. The geographic subregions within this region are Continental Europe, Scandinavia and the United Kingdom. The typical contributor profile is outlined in Exhibit IV-1, and should be examined carefully. Operating highlights for this region are presented in Exhibit IV-2.

A troublesome string of events in and around Europe had a significant impact on hotel demand during 1986. These events, including international terrorist incidents and the Chernobyl nuclear reactor disaster, contributed to a 6.4 percent decline in occupancy rates from 1985, the first decline reported in Europe the last six years. Continental Europe indicated the lowest occupancy rates and the largest decline from last year with a rate of 62.2 percent and a decline of 9.4 percent from 1985. Total revenue per room and average daily rate per occupied room showed strong increases. (The reader should note that nearly all European currencies increased compared with the U.S. dollar, and these fluctuations should be taken into account.) Currency exchange rates are provided in the last table of this section.

The source and distribution of the hotel industry dollar on a regional level is presented in Chart 8 (page 93). Room revenue provided more than half of all revenue for European hotels, followed by food sales. Almost no change occurred in revenue when compared with 1985. On the expenditure side, income before income taxes showed a decline, as employee payroll and departmental expenses required more hotel revenue.

Regional and subregional market data are presented in Exhibit IV-3. Hotel

Exhibit IV-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency
Europe

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	Between 150–299 rooms
Occupancy	60%–65%
Average Rate	$50–$60 (U.S.)
Sales Volume	$4 million to $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales.
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1986.

Exhibit IV-2
Highlights*
Europe

- Total revenue increased 26.3 percent to $25,844 on a per room basis.
- Occupancy rate dropped to 67.8 percent, a decrease of 6.4 percent from 1985.
- Average room rates rose 40.7 percent to $56.54 in 1986.

*Based on medians.

Exhibit IV-3
Market Data*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Source of Business				
Domestic	40.1%	35.3%	67.6%	52.3%
Foreign	59.9	64.7	32.4	47.7
Percentage of Repeat Business	36.2	36.9	35.5	35.2
Composition of Market				
Government Officials	2.6	2.9	3.3	1.0
Business Travelers	43.3	41.1	59.9	42.9
Tourists	31.3	31.5	24.5	34.1
Conference Participants	11.5	12.7	9.3	7.5
Other	11.3	11.8	3.0	14.5
Percentage of Advance Reservations	89.2	88.6	95.5	87.1
Composition of Advance Reservations				
Direct	41.3	43.1	39.7	35.8
Reservation Systems	19.9	19.4	20.2	24.1
Travel Agents & Tour Operators	26.9	24.4	35.3	30.0
Other	11.9	13.1	4.8	10.1

*Arithmetic mean.

guests in Continental European hotels were primarily from foreign sources, while in Scandinavia and the United Kingdom the majority of hotel guests originated from domestic sources. Business travelers were the largest market segment for all three subregions; however, tourists contributed a significant portion total hotel guests, especially in the United Kingdom. European hotel guest nationalities are listed in Exhibit IV-4.

Performance measurements

Total sales and income comparisons for properties surveyed in Europe are presented in Exhibit IV-5. All three subregions had increases in median total sales per available room, with Scandinavian properties showing the most significant increase. Properties in all three subregions had increases in income before fixed charges.

Exhibit IV-4
Nationality of Guests—1986*
All Hotels—Europe

	Rank		Total Region	Continental Europe	Scandinavia	United Kingdom
	1986	1985				
German	1	4	21.3%	27.4%	5.7%	2.8%
American	2	1	15.6	14.9	6.7	21.4
Scandinavian	3	2	12.2	4.0	72.1	2.3
British	4	3	11.9	8.3	4.9	50.9
Other European	5	5	11.4	13.6	4.1	4.1
French	6	6	7.2	8.9	1.1	2.4
Italian	7	7	4.8	6.0	0.8	1.6
Japanese	8	8	3.6	3.9	1.5	2.7
Middle Eastern	9	9	2.8	2.7	0.2	3.3
Other Asian	10	11	2.2	2.4	0.5	1.5
Other African	11	12	1.6	1.8	1.0	0.8
Canadian	12	10	1.5	1.6	0.4	2.8
South American	13	14	1.3	1.6	0.3	0.5
Australasian	14	13	1.0	1.0	0.3	1.8
Central American	15	16	0.7	0.8	0.2	0.3
North African	16	15	0.6	0.7	0.1	0.3
Mexican	17	17	0.2	0.3	0.1	0.1
Caribbean	18	N/A	0.1	0.1	**	0.4

*Arithmetic mean.
**Less than 0.05 percent.
N/A—Not available.

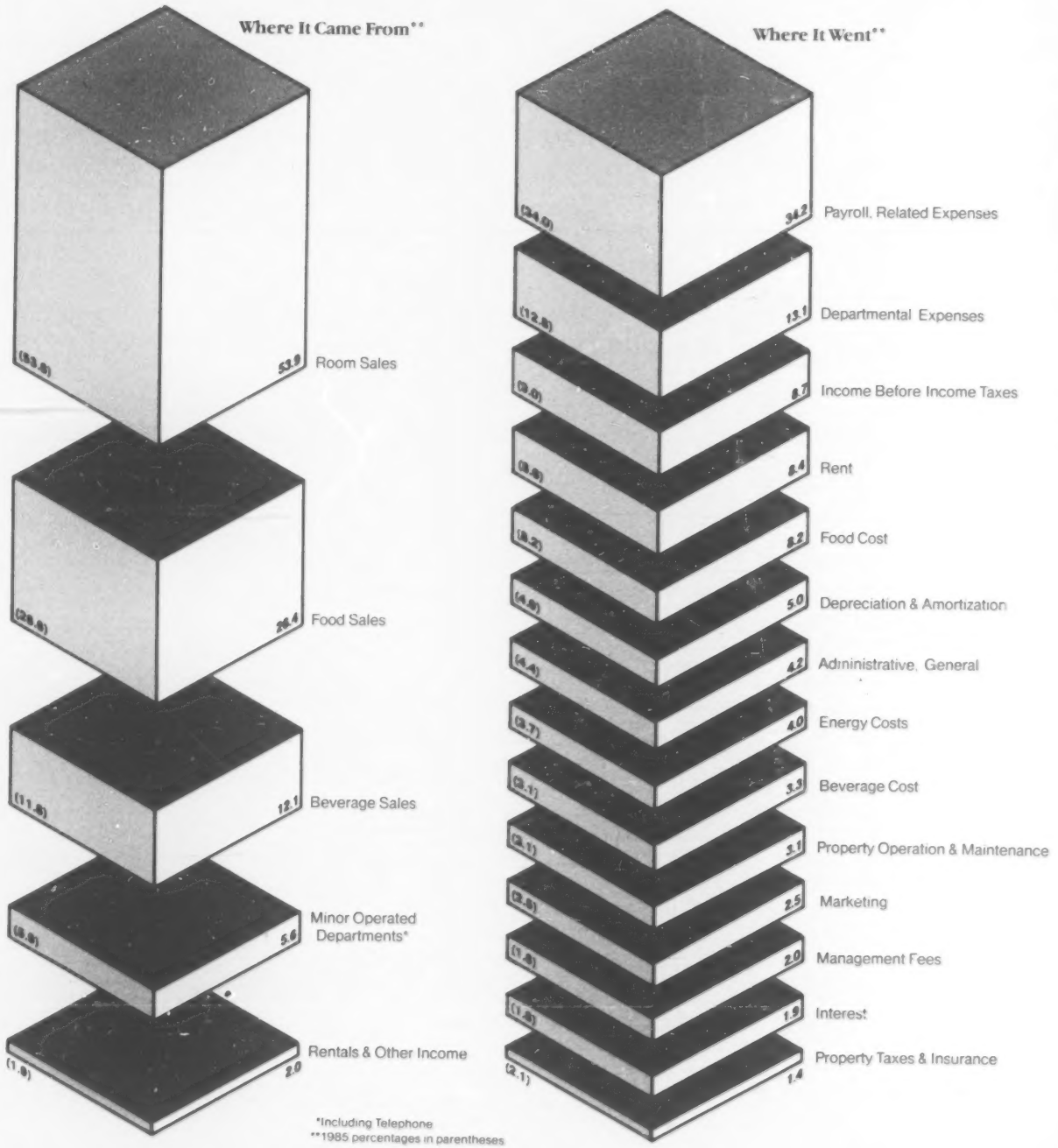
Exhibit IV-5
Comparison of Sales and Profitability*—Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1986	1985	1986	1985	1986	1985	1986	1985
Amounts Per Available Room								
Total Sales	$25,844	$20,460	$26,943	$20,478	$27,683	$20,460	$24,694	$20,875
Income Before Fixed Charges	6,811	4,784	5,980	5,020	7,329	3,754	7,742	6,010
Net Income** or (Loss)	$ 2,553	$ 2,841	$ 1,046	$ 2,305	$ 2,310	$ 2,806	$ 5,389	$ 3,956
Ratio of Income Before Fixed Charges								
Room Sales	48.3%	55.4%	41.0%	56.7%	52.1%	54.3%	64.1%	63.5%
Total Sales	24.8	23.5	20.7	23.4	26.2	20.8	30.4	29.5
Number of Times Average Rate Was Earned	114	125	93	119	115	99	154	161
Increase (Decrease)	(8.8)%		(21.8)%		16.2%		(4.3)%	

*All figures are medians.
**Before income tax.

Chart 8

Europe
Percentage Distribution of Revenue and Expenses


Where It Came From**
(33.8) 33.9 Room Sales
(25.8) 26.4 Food Sales
(11.8) 12.1 Beverage Sales
(5.6) 5.6 Minor Operated Departments*
(1.9) 2.0 Rentals & Other Income
Where It Went**
(24.0) 24.2 Payroll, Related Expenses
(12.8) 13.1 Departmental Expenses
(8.6) 8.7 Income Before Income Taxes
(8.4) 8.4 Rent
(8.2) 8.2 Food Cost
(4.8) 5.0 Depreciation & Amortization
(4.4) 4.2 Administrative, General
(3.7) 4.0 Energy Costs
(2.1) 3.3 Beverage Cost
(2.1) 3.1 Property Operation & Maintenance
(2.8) 2.5 Marketing
(1.8) 2.0 Management Fees
(1.8) 1.9 Interest
(2.1) 1.4 Property Taxes & Insurance

*Including Telephone
**1985 percentages in parentheses

Exhibit IV-6
Occupancy, Double Occupancy, Room Rates*—Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1986	1985	1986	1985	1986	1985	1986	1985
Annual Room Occupancy	62.8%	67.1%	62.2%	68.6%	67.3%	62.9%	63.5%	64.6%
Number of Guests Per Room	1.33	1.34	1.34	1.37	1.33	1.28	1.30	1.32
Average Daily Rate								
Per Room (U.S. Dollars)	$56.53	$40.18	$67.15	$47.07	$59.12	$40.56	$48.74	$37.90
Per Guest (U.S. Dollars)	45.05	30.49	51.2	35.73	45.29	35.21	36.27	27.68

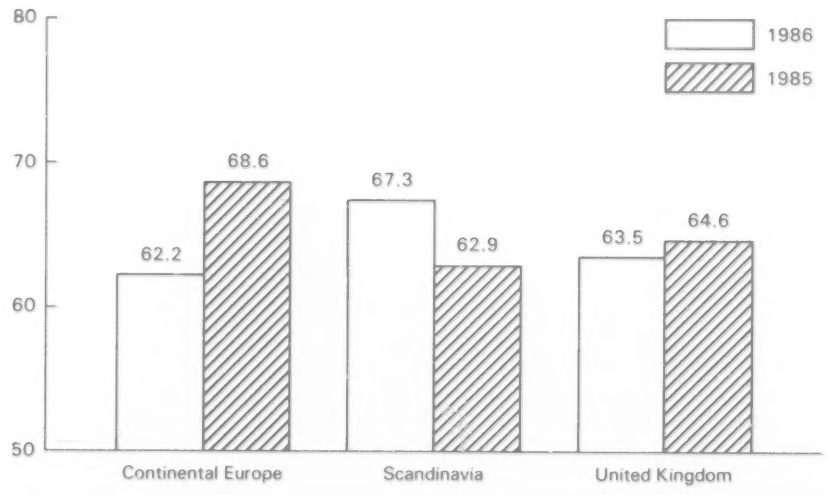
*All figures are medians.

Exhibit IV-7
Percentage of Hotels Utilizing Various Technologies*

	Total Region	Continental Europe	Scandinavia	United Kingdom
Computerized Reservation System	68.7%	76.2%	93.8%	51.3%
Computerized Guest Accounting	76.3	74.6	87.5	76.9
Computerized Accounting System (General Ledger)	83.9	83.8	81.3	84.6
Computerized Energy Management System	27.2	22.3	18.8	37.2
Automatic Checkout Machines	12.1	19.2	6.3	1.3
Electronic Card Key System	18.8	17.7	—	24.4
Direct Dialing for International Telephone Calls	95.9	96.2	100	94.9
Lease Cost Routing for Guest Telephone Calls	31.8	40.3	37.5	16.7
Point of Sales Terminals for Food & Beverage Outlets	52.7	57.7	43.8	46.2
Fire Detectors (Heat or Smoke)	92.8	93.8	75.0	94.9
Microcomputers Available for Guest Use	7.1	6.9	6.3	7.7

*Based on hotels supplying data.
—No change.

Chart 9
Region IV: Europe Occupancy Rates
1986 vs. 1985



Occupancy and average rate

Room occupancies for the region fell from 67.1 percent in 1985 to 62.8 percent in 1986. Continental Europe indicated the largest drop in occupancy rates among the subregions, while Scandinavian properties showed the highest rates overall. Average daily rates per occupied room grew in all three regions as did the amount received per guest. Details are provided in Exhibit IV-6.

Chart 9 provides an illustrated look at occupancy rates for the subregions during the past two years.

Use of technology and guest services

Exhibit IV-7 displays the percentage of hotels which utilize different technologies. Approximately three quarters of properties surveyed use computerized systems (reservation, guest accounting, general ledger and energy management), a significant increase over the percent of hotels using these systems during 1985.

Exhibit IV-8 contains the percentage of hotels offering different types of guest services.

Analysis of sales

Room sales were the largest source of revenue for all three subregions, although the United Kingdom indicated a larger dependence on food and beverage operations than the other regions (Exhibit IV-9).

Exhibit IV-8
Percentage of Hotels Offering Various Guest Services*

	Total Region	Continental Europe	Scandinavia	United Kingdom
Airport Transportation	37.5%	39.2%	37.5%	34.6%
Audio-Visual Equipment	85.3	81.5	81.3	92.3
Auto Rental Services	79.0	80.8	81.3	75.6
Concierge Services	77.7	88.5	81.3	58.9
Health Club Facilities	46.9	56.9	50.0	29.5
Multilingual Staff	75.4	90.0	68.8	52.6

*Based on hotels supplying data.

Exhibit IV-9
Composition of Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms	52.2%	55.9%	52.5%	46.8%
Food	27.4	25.3	24.5	31.9
Beverage	13.8	10.8	15.8	17.0
Telephone	3.4	4.4	3.6	1.9
Minor Operated Departments	1.5	1.9	2.2	1.1
Rentals & Other Income	1.7	1.7	1.4	1.3
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Summary

The remaining exhibits provide information on ratios to total sales, ratio to room sales, amounts per available room and food and beverage statistics. The results are broken down by department type and reported in medians. It is important to note that columns of median numbers cannot be totaled using indices. Each line item should be analyzed separately.

Exhibit IV-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Telephone				
Amount Per Available Room				
Sales	$917	$1,091	$919	$473
Cost of Sales				
Cost of Calls	504	704	312	341
Equipment Rental	99	76	146	110
Total	536	701	444	377
Payroll & Related Expenses	176	198	169	138
All Other Expenses	10	11	**	7
Total Cost & Expenses	655	851	541	430
Net Departmental Income or (Loss)	$220	$251	$356	$90
Ratio to Total Sales				
Sales	3.5%	3.3%	2.0%	4.1%
Cost of Sales	2.1	1.8	1.6	2.6
Payroll & Related Expenses	0.6	0.6	0.5	0.6
Minor Operated Departments				
Amount Per Available Room				
Sales	$416	$485	$398	$260
Cost of Sales	195	181	115	173
Payroll & Related Expenses	155	149	165	247
Other Expenses	29	40	19	24
Total Costs & Expenses	273	271	163	179
Net Departmental Income	$135	$133	$155	$ 64
Ratio to Total Sales				
Sales	1.5%	1.3%	1.1%	1.7%
Cost of Sales	0.6	0.4	0.7	0.6
Payroll & Related Expenses	0.5	0.6	0.8	0.5
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$130	$128	$166	$ 27
Concessions	121	120	**	64
Commissions	27	24	**	5
Other	216	242	**	164
Total Rentals & Other Income	$366	$450	$410	$221
Ratio to Total Sales	1.5%	1.5%	1.0%	1.6%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit IV-11
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Food Sales — By Facility				
Amount Per Available Room				
Dining Room	$4,148	$4,135	$5,178	$4,635
Room Service	700	721	567	243
Banquet	1,932	2,003	1,766	1,623
Bar/Lounge	178	160	186	218
Total	$6,722	$6,427	$6,529	$7,617
Ratio to Total Food Sales				
Dining Room	61.3%	60.0%	67.3%	71.9%
Room Service	10.7	11.2	6.6	3.6
Banquet	26.1	26.4	22.6	22.7
Bar/Lounge	2.3%	2.2%	2.3%	3.2%
Amount Per Seat				
Dining Room	$6,184	$5,831	$6,506	$7,051
Banquet	1,006	882	1,165	1,486
Bar/Lounge	568	524	319	929
Total	$2,537	$2,347	$2,750	$2,764
Average Check				
Dining Room	$10.71	$10.98	$11.15	$10.80
Room Service	7.86	8.33		6.40
Banquet	14.03	13.89	12.71	15.00
Total	$11.60	$11.30	$11.39	$12.09
Covers Served Per Seat				
Dining Room	$ 520	$ 486	$ 587	$ 502
Banquet	72	66	86	89

*All figures are medians and do not necessarily add to totals shown.

(continued on next page)

Exhibit IV-11 (continued)
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Room Service Sales				
Per Occupied Room				
Food	$ 3.04	$ 3.31	$ 2.46	$ 1.05
Beverage	.76	.80	.95	.27
Total	$ 3.62	$ 3.80	$ 3.06	$ 1.14
Per Guest				
Food	$ 2.47	$ 2.53	$ 1.93	$ .78
Beverage	.57	.67	.73	.20
Total	$ 2.90	$ 3.09	$ 2.37	$ .73
Beverage Sales — By Facility				
Amount Per Available Room				
Dining Room	$ 978	$ 987	$1,719	$ 759
Room Service	180	178	223	57
Banquet	806	800	982	706
Bar/Lounge	1,169	1,084	1,872	1,636
Total	$3,284	$2,766	$5,430	$4,058
Ratio to Total Beverage Sales				
Dining Room	29.1%	31.1%	39.9%	24.1%
Room Service	4.9	4.8	3.8	1.9
Banquet	25.5	26.1	18.1	21.0
Bar/Lounge	33.8%	31.4%	36.3%	54.1%
Ratio to Food Sales				
Dining Room	24.7%	25.4%	34.5%	16.8%
Room Service	27.4	22.5	35.4	50.5
Banquet	46.1	45.7	47.1	45.7
Total (Including Bar/ Lounge)	48.1%	45.4%	69.2%	49.8%
Amount Per Seat				
Dining Room	$1,471	$1,425	$2,484	$1,326
Banquet	453	409	521	593
Bar/Lounge	3,823	3,500	2,946	4,286
Total	$1,179	$1,054	$1,607	$1,413

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-12
Employment Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Employment Statistics				
Sales Per Employee				
Rooms	$77,758	$74,515	$105,005	$58,664
Food & Beverage	35,397	33,521	52,605	32,637
Telephone	99,359	107,029	150,589	62,098
Minor Departments	42,999	41,333	54,681	39,887
Total Sales Per Employee	$43,954	$41,926	$61,509	$37,171
Productivity Index				
1986	2.89	3.59	2.67	3.48
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	9.1	9.0	7.1	9.9
Housekeeping	12.12	11.9	8.6	15.8
Food & Beverage	31.1	30.8	24.0	42.1
Telephone	1.4	1.4	1.1	1.8
Minor Operated Departments	1.3	1.4	0.7	2.2
Administrative & General	6.3	6.0	3.2	8.2
Marketing				
Sales	1.4	1.4	0.7	1.4
Other Marketing	0.5	0.5	**	0.6
Property Operation & Maintenance	3.2	3.5	2.1	3.2
Other	2.4	2.4	**	2.9
Total	69.2	70.3	46.5	86.1

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit IV-13
Analysis of Undistributed Operating Expenses*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,256	$1,425	$1,043	$1,106
Other	1,122	1,119	1,158	1,236
Total	$2,383	$2,446	$2,107	$2,343
Ratio to:				
Room Sales	17.0%	16.9%	16.6%	19.1%
Total Sales — 1986	9.0	9.2	7.8	9.3
Total Sales — 1985	9.0	9.1	8.2	9.0
Increase (Decrease)	—	1.1%	(4.9)%	3.3%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 312	$ 327	$ 383	$ 224
Other	716	792	564	522
Total	$ 910	$1,143	$ 755	$ 574
Ratio to:				
Room Sales	7.0%	7.3%	4.6%	5.6%
Total Sales — 1986	3.4	4.0	2.1	2.5
Total Sales — 1985	3.0	3.7	4.1	2.4
Increase (Decrease)	13.3%	8.1%	(48.8)%	4.2%
Energy Costs				
Cost Per Available Room	$1,048	$1,247	$ 728	$ 916
Ratio to:				
Room Sales	8.2%	8.2%	5.7%	8.4%
Total Sales — 1986	4.1	4.5	2.6	3.7
Total Sales — 1985	4.1	4.5	3.5	3.8
Increase (Decrease)	—	—	(25.7)%	(2.6)%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 479	$ 561	$ 382	$ 301
Other	755	807	386	654
Total	$1,095	$1,493	$ 473	$ 866
Ratio to:				
Room Sales	9.0%	10.1%	3.9%	7.9%
Total Sales — 1986	4.5	5.3	1.8	3.7
Total Sales — 1985	4.1	4.9	2.7	3.3
Increase (Decrease)	9.8%	8.2%	(33.3)%	12.1%

*All figures are medians and do not necessarily add to totals shown.
— No change.

Exhibit IV-14
Energy Costs Per Occupied Room Per Day*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Fuel	$1.26	$1.17	$1.36	$1.68
Electricity	2.43	2.61	1.16	1.80
Water	.61	.80	.33	.41
Steam	1.45	1.51	.37	.86
Credit for Sale of Energy	.24	.34	**	.13
Net Energy Cost—1986	$4.65	$5.47	$3.16	$4.16
Net Energy Cost—1985	$3.67	$3.98	$3.15	$3.41
Increase (Decrease)	26.7%	37.4%	0.3%	22.0%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit IV-15
Method of Payment for Hotel Services*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Cash	27.5%	29.4%	23.3%	26.0%
Credit Card	37.1	36.3	42.1	38.0
All Other Credit	35.4%	34.3%	34.6%	36.0%

*Based on arithmetic mean.

Exhibit IV-16
Credit Card Commission
Annual Cost Per Occupied Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Annual Cost Per Occupied Room	$478	$478	$504	$467
Ratio to Total Sales	1.2%	1.1%	1.2%	1.2%

*All figures are medians.

Exhibit IV-17
Credit Card Sales by Type of Card—Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
American Express	51.1%	54.4%	24.7%	46.5%
VISA	15.8	15.8	10.7	23.7
MasterCard	16.0	12.4	44.3	19.3
Diner's Club	14.1	15.6	6.1	9.4
Other	3.0	1.8	14.2	1.1

Exhibit IV-18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales* Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Amount Per Room				
Leased Equipment	$ 151	$ 214	$ 463	$ 129
Rent	1,941	3,402	3,873	302
Property Taxes	621	420	**	691
Insurance on Buildings & Contents	131	161	**	98
Interest Expense	224	269	209	197
Depreciation & Amortization	857	1,109	841	844
Total Fixed Charges	$3,085	$4,768	$5,006	$2,050
Ratio to Total Sales—1986	12.2%	17.7%	17.7%	8.1%
Ratio to Total Sales—1985	10.4	16.3	14.9	8.0
Increase (Decrease)	17.3%	8.5%	18.7%	1.2%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit IV-19
Amount Per Available Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Average Annual Occupancy.	62.8 %	62.2 %	67.2 %	63.5 %
Average Annual Room Rate	$ 56.53	$ 67.15	$ 59.12	$ 48.74
Revenues				
Rooms	$13,216	$15,276	$13,797	$11,071
Food	6,721	6,427	6,529	7,617
Beverage	3,283	2,765	5,430	4,058
Other Food & Beverage	509	391	563	531
Telephone	916	1,090	919	472
Minor Operated	415	485	397	260
Rentals & Other Income	365	449	410	221
Total	$25,843	$26,943	$27,683	$24,694
Department Expenses				
Rooms	$ 3,908	$ 4,378	$ 4,841	$ 2,868
Food & Beverage	8,392	8,433	10,374	8,255
Telephone	654	851	541	430
Minor Operated	239	329	641	231
Total	$14,233	$12,864	$13,294	$12,644
Department Profit				
Rooms	$ 9,423	$10,299	$ 9,031	$ 8,310
Food & Beverage	2,022	1,319	1,313	3,556
Telephone	220	251	356	89
Minor Operated	135	132	155	64
Rentals & Other Income	365	449	410	221
Total	$12,850	$13,129	$11,317	$12,940
Undistributed Operating Expenses				
Adminisrative & General				
Payroll & Related	$ 1,255	$ 1,425	$ 1,043	$ 1,106
Other	1,121	1,118	1,157	1,236
Total	$ 2,382	$ 2,445	$ 2,107	$ 2,342
Marketing				
Payroll & Related	$ 311	$ 326	$ 382	$ 224
Other	716	792	564	522
Total	$ 909	$ 1,143	$ 755	$ 573
Energy Costs	$ 1,048	$ 1,246	$ 728	$ 916
Property Operations & Maintenance	$ 1,095	$ 1,492	$ 473	$ 865
Total Undistributed Operating Expenses	$ 5,596	$ 6,550	$ 4,195	$ 4,728
Income Before Management Fees	7,300	7,172	7,473	7,915
Management Fees (Base & Incentive)	1,105	1,080	330	1,353
Income Before Fixed Charges	$ 6,810	$ 5,980	$ 7,329	$ 7,742
Fixed Charges	$ 3,084	$ 4,767	$ 5,006	$ 2,050
Income Before Income Taxes	$ 2,553	$ 1,046	$ 2,310	$ 5,389
Reserve for Capital Replacement	$ 1,144	$ 1,090	**	$ 1,910

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit IV-20
Ratio to Total Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Average Annual Occupancy	62.8 %	62.2 %	67.2 %	63.5 %
Average Annual Room Rate	$56.53	$67.15	$59.12	$48.74
Revenues				
Rooms	52.3%	56.0%	50.5%	45.5%
Food	25.5	23.7	24.6	30.6
Beverage	12.2	10.7	18.3	15.9
Other Food & Beverage	1.6	1.3	1.6	2.0
Telephone	3.5	4.0	3.3	2.0
Minor Operated	1.5	1.6	1.3	1.0
Rentals & Other Income	1.4	1.6	1.4	0.9
Total				
Department Expenses				
Rooms	14.6%	16.1%	17.1%	12.1%
Food & Beverage	32.5	30.7	36.2	34.1
Telephone	2.6	3.1	2.0	1.8
Minor Operated	0.4	0.5	0.3	0.4
Total	4.5%	6.9%	7.4%	3.4%
Department Profit				
Rooms	37.0%	38.4%	33.8%	34.0%
Food & Beverage	7.5	5.6	4.7	15.6
Telephone	0.8	1.0	1.1	0.3
Minor Operated	0.4	0.4	0.5	0.2
Rentals & Other Income	1.4	1.6	1.4	0.9
Total	48.6%	47.8%	43.6%	51.8%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	4.7%	5.0%	3.7%	4.4%
Other	4.3	4.0	4.3	5.0
Total	8.9%	9.1%	7.8%	9.2%
Marketing				
Payroll & Related	1.0%	1.1%	1.2%	0.7%
Other	2.8	2.8	1.8	2.3
Total	3.3%	4.0%	2.1%	2.4%
Energy Costs	4.0%	4.4%	2.6%	3.7%
Property Operations & Maintenance	4.5%	5.3%	1.7%	3.6%
Total Undistributed Operating Expenses	21.8%	23.7%	15.3%	19.5%
Income Before Management Fees	27.0	23.8	26.5	31.0
Management Fees (Base & Incentive)	4.1	4.2	1.1	4.9
Income Before Fixed Charges	24.8%	20.7%	26.1%	30.0%
Fixed Charges	12.1%	17.7%	17.6%	8.1%
Income Before Income Taxes	10.4%	3.6%	6.5%	20.0%
Reserve for Capital Replacement	3.9%	3.8%	**	4.4%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Region IV
Currency Conversion Tables
1986 vs. 1985 Percentage of Change
Europe

	1986 Factor [$US/(x)]	1985 Factor [$US/(x)]	Percentage of Change
Subregion 1—Continental Europe			
Austria	0.06643	0.04973	33.6%
Belgium	0.02268	0.01713	32.4%
France	0.14608	0.11445	27.6%
Germany	0.46748	0.34943	33.8%
Greece	0.00717	0.00727	(1.4)%
Italy	0.00068	0.00053	28.3%
Luxembourg	0.02258	0.01729	30.6%
Monaco	*	*	*
Netherlands	0.41451	0.30969	33.8%
Portugal	0.00671	0.00600	11.8%
Switzerland	0.56528	0.42049	34.4%
Subregion 2—Scandinavia			
Denmark	0.12401	0.09680	28.1%
Finland	0.19846	0.16496	20.3%
Iceland	0.02434	0.02417	0.7%
Norway	0.13564	0.11876	14.2%
Sweden	0.14125	0.11852	19.2%
Subregion 3—United Kingdom			
Ireland	1.35142	1.08523	24.5%
United Kingdom	1.47109	1.32281	11.2%

Source: *International Financial Statistics.*
*Reported in U.S. Dollars. Conversion factor not available.

REGION V: LATIN AMERICA/CARIBBEAN

Profile of contributors

This section presents data for the Latin America/Caribbean region, which covers Mexico, Central America, South America and the Caribbean. Due to response levels, subregion breakdowns were only possible for the Caribbean and South America. It should be noted that this is the first year that Caribbean properties are included within this region, therefore the reader should be careful when comparing total region figures presented in this study with those published earlier.

A profile of the typical Latin American/Caribbean respondent is presented in Exhibit V-1; Exhibit V-2 outlines operating performance highlights for 1985.

Latin American/Caribbean occupancy rates decreased 6.6 percent during 1986 to a median of 63.4 percent. Rates were particularly low in Caribbean properties at 57 percent, a letdown for the many hotel operators who were hoping to attract more international travelers who were not traveling to European destinations because of terrorism. The average daily rate for the region rose in 1986 to $55.51 compared with $46.34 in 1985.

The source and distribution of the Latin American/Caribbean hotel industry dollar is illustrated in Chart 10. Room revenue comprised more than one-half of all hotel revenue, followed by food revenue with nearly 25 percent. On the expenditure side, employee payroll and departmental expenses comprised slightly more than half of all hotel spending.

Illustrated in Exhibit V-3 is Latin American/Caribbean market data for the participating hotels. The majority of hotel

Exhibit V-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Latin America/Caribbean

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600 rooms
Occupancy	55%–65%
Average Rate	$45.00 and over (U.S.)
Sales Volume	Over $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 50% and 74% of room sales.
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1986.

Exhibit V-2
Highlights*
Latin America/Caribbean

- Total revenue increased 30.8 percent to $25,582 on a per room basis.
- Occupancy rates decline 6.6 percent to 63.4 percent in 1986.
- Average room rate rose 19.9 percent of $55.57 compared with $46.34 during 1985.

*Based on medians.

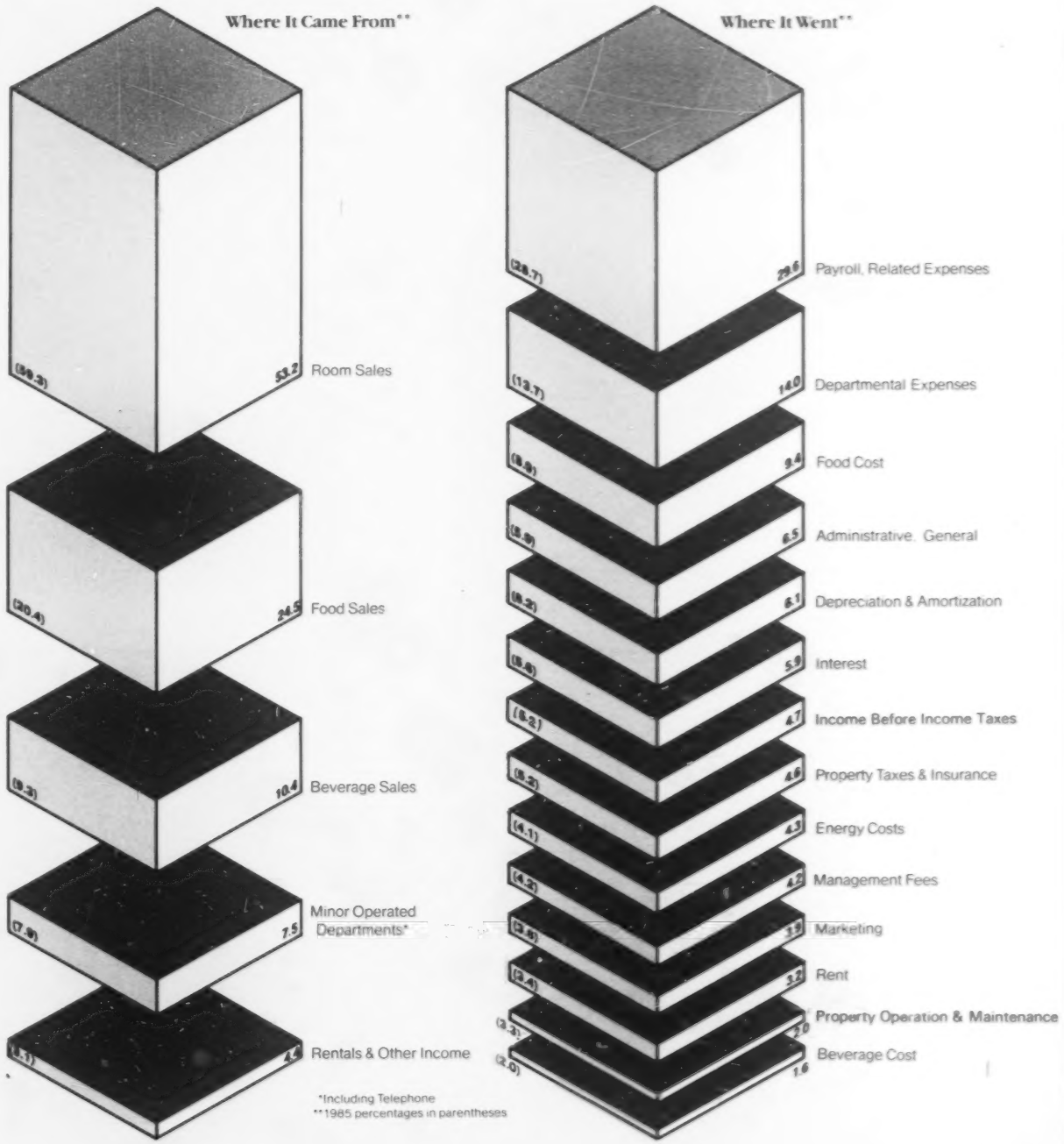
Exhibit V-3
Market Data*
Latin America/Caribbean

	Total Region	South America	Caribbean
Source of Business			
Domestic	38.9%	50.3%	18.0%
Foreign**	61.1	49.7	82.0
Percentage of Repeat Business	27.8	32.5	22.3
Composition of Market			
Government Officials	3.6	3.7	2.3
Business Travelers	35.2	47.5	14.9
Tourists	45.9	32.9	69.1
Conference Participants	9.7	11.3	5.8
Other	5.6	4.6	7.9
Percentage of Advance Reservations	87.0	83.6	90.9
Composition of Advance Reservations			
Direct	27.6	39.4	8.1
Reservation Systems	25.4	26.4	21.5
Travel Agents & Tour Operators	36.6	28.7	47.7
Other	10.4	5.5	22.7

*Arithmetic mean.
**Ratios exclude the U.S.

Chart 10

Latin America/Caribbean
Percentage Distribution of Revenue and Expenses



*Including Telephone
**1985 percentages in parentheses

guests came from foreign sources, particularly for Caribbean properties, which indicated 82 percent of all hotel guests were foreign. Tourists represented close to 46 percent of all hotel arrivals while business travelers accounted for another 35 percent of total guests. Business travelers represented the largest source of travelers in the South American subregion. Individual guest nationality information is presented in Exhibit V-4.

Performance measurements

Exhibit V-5 lists figures for total sales, income before fixed charges and income to room and total sales ratios for Latin American/Caribbean properties. Comparison data also is provided for 1985. The reader is again cautioned to consider currency exchange rates when comparing information between years.

Exhibit V-4
Nationality of Guests—1986*
All Hotels—Latin America/Caribbean

	Rank		Total Region	South America	Caribbean
	1986	1985			
American	1	1	38.3%	24.3%	58.4%
South American	2	2	21.0	31.2	7.4
Other European	3	4	7.3	9.4	5.4
Canadian	4	5	5.3	4.1	7.5
German	5	6	4.2	6.1	1.6
French	6	9	3.7	2.1	7.7
Caribbean	6	N/A	3.7	4.2	3.7
Mexican	8	3	3.6	1.5	0.4
Italian	9	8	2.6	3.0	2.3
Japanese	10	10	2.5	3.9	0.3
British	11	7	2.2	1.9	3.4
Other African	11	16	2.2	3.5	0.2
Central American	13	11	1.7	2.4	0.6
Scandinavian	14	12	0.8	0.9	0.9
Other Asian	15	13	0.4	0.7	0.1
Australasian	16	15	0.2	0.3	0.1
Middle Eastern	16	17	0.2	0.3	**
North African	18	14	0.1	0.2	**

*Arithmetic mean.
**Less than 0.05 percent.
N/A—Not available.

Exhibit V-5
Comparison of Sales and Profitability*
Latin America/Caribbean

	Total Region		South America		Caribbean	
	1986	1985	1986	1985	1986	1985
Amounts Per Available Room						
Total Sales	$25,582	$19,555	$22,255	N/A	$33,228	$22,472
Income Before Fixed Charges	5,690	4,174	5,790	N/A	4,193	2,757
Net Income** (Loss)	2,452	2,143	2,235	N/A	637	2,145
Ratio of Income Before Fixed Charges						
Room Sales	44.5%	44.5%	57.0%	N/A	23.5%	22.6%
Total Sales	25.1	23.7	30.6	N/A	11.4	15.2
Number of Times Average Rate Was Earned	118	114	133	N/A	64	96
Increase (Decrease)	3.5%		N/A		(33.3)%	

*All figures are medians.
**Before income tax.
N/A—Not available.

Exhibit V-6
Occupancy, Double Occupancy and Room Rates*
Latin America/Caribbean

	Total Region	South America	Caribbean
Annual Room Occupancy	63.39%	66.5%	57.0%
Number of Guests Per Room	1.70	1.51	1.90
Average Daily Rate			
Per Room (U.S. Dollars)	$55.57	$43.14	$76.37
Per Guest (U.S. Dollars)	39.43	$35.46	44.47

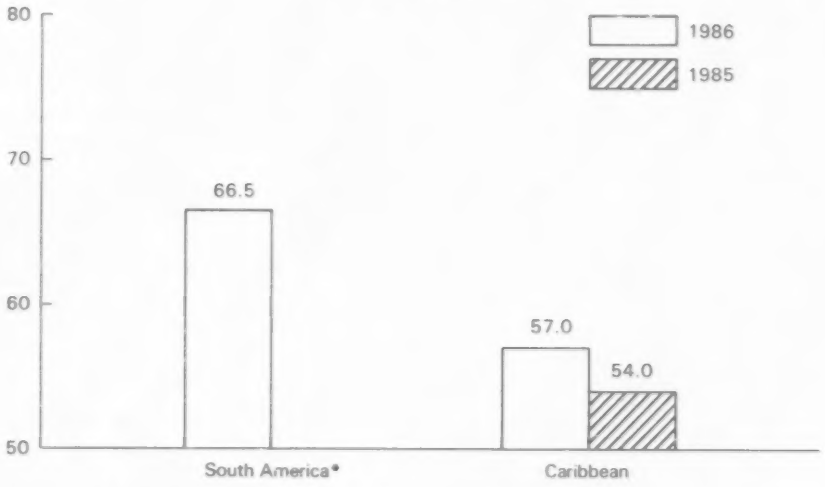
*All figures are medians

Occupancy and average rate

Latin American/Caribbean occupancy rates decreased 6.6 percent during 1985. The South American properties indicated substantially higher occupancies than the Caribbean subregion properties. Average daily rates for hotel rooms were nearly 80 percent higher for Caribbean properties than those located in South America. These figures are shown in Exhibit V-6.

Chart 11 illustrates occupancy rates during the past two years for the subregions.

Chart 11
Region V: Latin America/Caribbean
Occupancy Rates
1986 vs. 1985



*1985 rates for South America are not available.

Use of technology and guest services

Exhibit V-7 highlights the percentage of Latin American hotels using different technologies. Under 42 percent surveyed have computerized reservations systems, the lowest percentage of all regions examined. Only one hotel in 13 is equipped with a computerized energy management system, while slightly more than 30 percent have least cost routing telephone systems.

Exhibits V-8 presents the percentage of hotels offering different types of guest services.

Analysis of sales

Room sales provided more than half of the revenue for hotels in this region, with food and beverage sales accounting for another one third of all sales. This is consistent with other regions throughout the world, as outlined in Exhibit V-9.

Exhibit V-7
Percentage of Hotels Utilizing Various Technologies*
Latin America/Caribbean

	Total Region	South America	Caribbean
Computerized Reservation System	41.5%	27.6%	64.3%
Computerized Guest Accounting	39.6	20.7	64.3
Computerized Accounting System (General Ledger)	64.2	55.2	78.6
Computerized Energy Management System	7.5	6.9	7.1
Automatic Checkout Machines	18.9	24.1	—
Electronic Card Key System	5.7	3.4	7.1
Direct Dialing for International Telephone Calls	67.9	79.3	42.9
Lease Cost Routing for Guest Telephone Calls	30.7	27.6	21.4
Point of Sales Terminals for Food & Beverage Outlets	30.2	17.2	50.0
Fire Detectors (Heat or Smoke)	45.3	62.1	28.6
Microcomputers Available for Guest use	13.2	17.2	7.1

*Based on hotels supplying data.
— No change.

Exhibit V-8
Percentage of Hotels Offering Various Guest Services*
Latin America/Caribbean

	Total Region	South America	Caribbean
Airport Transportation	43.4%	58.6%	35.7%
Audio-Visual Equipment	81.1	82.8	71.4
Auto Rental Services	84.9	79.3	85.7
Concierge Services	69.8	79.3	28.6
Health Club Facilities	50.9	68.9	35.7
Multilingual Staff	79.2	86.2	64.3

*Based on hotels supplying data.

Exhibit V-9
Composition of Sales*
Latin America/Caribbean

	Total Region	South America	Caribbean
Rooms	53.1%	55.1%	47.5%
Food	24.6	23.6	27.7
Beverage	10.5	8.7	13.4
Telephone	4.1	5.6	1.9
Minor Operated Departments	3.1	2.2	6.2
Rentals & Other Income	4.6	4.8	3.3
Total	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit V-10
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*
Latin America/Caribbean

	Total Region	South America	Caribbean
Telephone			
Amount Per Available Room			
Sales	$818	$1,053	$ 649
Cost of Sales			
Cost of Calls	587	992	414
Equipment Rental	44	26	140
Total	664	874	664
Payroll & Related Expenses	124	112	201
All Other Expenses	9	10	7
Total Cost & Expenses	719	984	872
Net Departmental Income or (Loss)	$ 41	$ 106	$(173)
Ratio to Total Sales			
Sales	2.9%	5.5%	1.8%
Cost of Sales	2.3	4.1	2.1
Payroll & Related Expenses	0.5	0.5	0.6
Minor Operated Departments			
Amount Per Available Room			
Sales	$510	$ 523	$ 540
Cost of Sales	94	100	91
Payroll & Related Expenses	145	150	603
Other Expenses	62	56	302
Total Costs & Expenses	293	289	505
Net Departmental Income	$ 94	$ 167	$ 89
Ratio to Total Sales			
Sales	2.0%	2.2%	1.4%
Cost of Sales	0.4	0.4	0.3
Payroll & Related Expenses	0.6	0.6	1.4
Rentals & Other Income			
Amount Per Available Room			
Space Rentals	$140	$ 66	$ 233
Concessions	136	163	179
Commissions	3	**	**
Other	396	452	373
Total Rentals & Other Income	$674	$ 613	$ 794
Ratio to Total Sales	2.4%	2.6%	2.3%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Summary

The remaining exhibits provide information on ratios to total sales, amounts per available room and food and beverage statistics. The results are broken down by department type and are reported in medians. It is important to note that columns of median numbers cannot be totaled using indices. Rather, each line item should be analyzed separately.

Exhibit V-11
Food and Beverage Statistics*
Latin America/Caribbean

	Total Region	South America	Caribbean
Food Sales—By Facility			
Amount Per Available Room			
Dining Room	$3,374	$2,703	$ 8,915
Room Service	571	659	**
Banquet	1,362	1,713	1,043
Bar/Lounge	231	272	160
Total	$5,439	$5,139	$10,033
Ratio to Total Sales			
Dining Room	58.1%	51.1%	93.3%
Room Service	9.2	12.6	**
Banquet	26.0	32.0	6.9
Bar/Lounge	3.4%	4.9%	1.9
Amount Per Seat			
Dining Room	$3,230	$2,615	$ 5,217
Banquet	631	724	**
Bar/Lounge	300	747	**
Total	$1,655	$1,134	$ 2,791
Average Check			
Dining Room	$ 6.76	$ 6.53	**
Room Service	5.19	4.87	**
Banquet	8.58	8.68	**
Total	$ 7.76	$ 5.51	$ 12.15
Covers Served Per Seat			
Dining Room	$ 364	$ 318	$ **
Banquet	57	56	**

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

(continued on next page)

Exhibit V-11 (continued)
Food and Beverage Statistics*
Latin America/Caribbean

	Total Region	South American	Caribbean
Room Service Sales			
Per Occupied Room			
Food	$ 2.36	$ 2.98	**
Beverage	.55	.82	**
Total	$ 3.05	$ 3.82	**
Per Guest			
Food	$ 1.54	$ 2.12	**
Beverage	.33	.58	**
Total	$ 2.25	$ 3.01	**
Beverage Sales—By Facility			
Amount Per Available Room			
Dining Room	$ 829	$ 766	$1,083
Room Service	128	192	**
Banquet	594	738	492
Bar/Lounge	1,255	723	2,562
Total	$2,542	$1,984	$3,768
Ratio to Total Beverage Sales			
Dining Room	29.9%	29.9%	24.7%
Room Service	3.9	5.6	**
Banquet	18.6	25.4	5.5
Bar/Lounge	49.4%	39.1%	55.8%
Ratio to Food Sales			
Dining Room	22.7%	28.3%	19.4%
Room Service	26.3	28.6	
Banquet	38.4	40.2	40.2
Total (Including Bar/Lounge)	47.7%	44.9%	48.3%
Amount Per Seat			
Dining Room	$ 712	$ 629	**
Banquet	194	204	**
Bar/Lounge	2,647	1,734	**
Total	$ 668	$ 439	$ 954

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit V-12
Employment Statistics*
Latin America/Caribbean

	Total Region	South America	Caribbean
Employment Statistics			
Sales Per Employee			
Rooms	$44,224	$36,555	$82,398
Food & Beverage	19,000	14,419	37,081
Telephone	38,000	44,991	58,895
Minor Departments	10,701	9,117	27,949
Total Sales Per Employee	$18,659	$16,065	$37,189
Productivity Index			
1986	3.44	3.39	2.71
Number of Full-Time Equivalent Employees Per 100 Available Rooms			
Rooms			
Front Desk	8.6	10.4	7.8
Housekeeping	16.3	16.5	14.3
Food & Beverage	47.4	47.4	36.9
Telephone	2.4	2.9	1.3
Minor Operated Departments	4.6	4.8	4.7
Administrative & General	12.5	13.3	9.6
Marketing			
Sales	2.0	2.0	0.7
Other Marketing	0.7	0.7	**
Property Operation & Maintenance	10.1	10.0	7.3
Other	6.8	8.9	4.2
Total	118.1	117.8	90.5

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit V-13
Analysis of Undistributed Operating Expenses*
Latin America/Caribbean

	Total Region	South America	Caribbean
Administrative & General			
Cost Per Available Room			
Payroll & Related Expenses	$1,338	$1,336	$2,278
Other	1,331	1,168	2,045
Total	$2,698	$2,612	$4,714
Ratio to:			
Room Sales	22.6%	23.1%	22.6%
Total Sales — 1986	11.3	11.3	12.2
Total Sales — 1985	11.2	N/A	11.5
Increase (Decrease)	0.9%	N/A	6.1%
Marketing			
Cost Per Available Room			
Payroll & Related Expenses	$ 256	$ 210	$ 370
Other	1,056	700	2,116
Total	$1,360	$ 843	$2,540
Ratio to:			
Room Sales	10.1%	8.4%	13.4%
Total Sales — 1986	5.1	4.1	6.5
Total Sales — 1985	5.2	N/A	5.8
Increase (Decrease)	(1.9)%	N/A	12.1%
Energy			
Cost Per Available Room	$ 922	$ 817	$2,458
Ratio to:			
Room Sales	8.3%	7.0%	11.5%
Total Sales — 1986	4.1	3.7	5.3
Total Sales — 1985	4.1	N/A	7.9
Increase (Decrease)	—	N/A	(32.9)%
Property Operation & Maintenance			
Cost Per Available Room			
Payroll & Related Expenses	$ 593	$ 548	$1,110
Other	1,122	929	1,497
Total	$1,666	$1,251	$3,208
Ratio to:			
Room Sales	15.0%	11.8%	21.6%
Total Sales — 1986	7.3	6.1	8.0
Total Sales — 1985	6.5	N/A	7.7
Increase (Decrease)	12.3%	N/A	3.9%

*All figures are medians and do not necessarily add to totals shown.
N/A — Not available.
— No change.

Exhibit V-14
Energy Costs Per Occupied Room Per Day*
Latin America/Caribbean

	Total Region	South America	Caribbean
Fuel	$ .91	$ .64	$1.28
Electricity	2.86	2.31	6.53
Water	.67	.50	2.84
Steam	.32	.28	**
Credit for Sale of Energy	.07	.02	**
Net Energy Cost—1986	$4.13	$3.37	$8.71
Net Energy Cost—1985	$3.31	N/A	$9.12
Increase (Decrease)	24.8%	N/A	(4.5)%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.
N/A—Not available.

Exhibit V-15
Method of Payment for Hotel Services*
Latin America/Caribbean

	Total Region	South America	Caribbean
Cash	28.0%	26.0%	28.2%
Credit Card	35.9	40.8	27.2
All Other Credit	36.1	33.2	44.6

*Based on arithmetic mean.

Exhibit V-16
Credit Card Commission
Annual Cost Per Occupied Room*
Latin America/Caribbean

	Total Region	South America	Caribbean
Annual Cost Per Occupied Room	$443	$581	$366
Ratio to Total Sales	1.2%	1.6%	0.7%

*All figures are medians.

Exhibit V-17
Credit Card Sales by Type of Card
Latin America/Caribbean

	Total Region	South America	Caribbean
American Express	46.2%	40.5%	53.8%
VISA	18.9	14.8	27.4
MasterCard	9.9	8.8	11.2
Diner's Club	16.5	23.3	7.4
Other	8.5	12.6	0.2

Exhibit V-18
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Latin America/Caribbean

	Total Region	South America	Caribbean
Amount Per Room			
Leased Equipment	$ 341	$ 459	**
Rent	999	1,703	1,146
Property Taxes	267	390	209
Insurance on Buildings & Contents	139	126	233
Interest Expense	239	252	198
Depreciation & Amortization	1,185	1,048	1,168
Total Fixed Charges	$2,605	$2,939	$2,146
Ratio to Total Sales—1986	10.8%	17.1%	6.2%
Ratio to Total Sales—1985	14.1	N/A	10.8
Increase (Decrease)	(23.5)	N/A	(42.6)

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.
N/A—Not available.

Exhibit V-19
Amount Per Available Room*
Latin America/Caribbean

	Total Region	South America	Caribbean
Average Annual Occupancy	63.3%	66.4%	57.0%
Average Annual Room Rate	$ 55.56	$ 43.14	$ 76.36
Revenues			
Rooms	$13,706	$11,002	$16,855
Food	5,438	5,139	10,033
Beverage	2,542	1,983	3,767
Other Food & Beverage	340	368	212
Telephone	818	1,052	649
Minor Operated	510	523	539
Rentals & Other Income	673	612	793
Total	$25,582	$22,255	$33,228
Department Expenses			
Rooms	$ 2,885	$ 2,425	$ 4,756
Food & Beverage	6,238	5,570	10,964
Telephone	718	984	872
Minor Operated	658	239	439
Total	$ 8,985	$ 7,867	$14,536
Department Profit			
Rooms	$10,715	$ 8,136	$12,064
Food & Beverage	1,978	1,618	2,339
Telephone	40	106	(173)
Minor Operated	94	167	89
Rentals & Other Income	673	612	793
Total	$14,788	$11,660	$15,532
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related	$ 1,337	$ 1,337	$ 2,278
Other	1,330	1,168	2,045
Total	$ 2,698	$ 2,612	$ 4,714
Marketing			
Payroll & Related	$ 256	$ 209	$ 370
Other	1,056	700	2,115
Total	$ 1,359	$ 842	$ 2,539
Energy Costs	$ 921	$ 816	$ 2,457
Property Operations & Maintenance			
Total Undistributed Operating Expenses	$ 6,505	$ 5,588	$11,854
Income Before Management Fees	5,689	5,790	4,467
Management Fees (Base & Incentive)	895	729	811
Income Before Fixed Charges	$ 5,689	$ 5,790	$ 4,193
Fixed Charges			
Income Before Income Taxes	$ 2,451	$ 2,235	$ 637
Reserve for Capital Replacement	$ 459	$ 459	**

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit V-20
Ratio to Total Sales*
Latin America/Caribbean

	Total Region	South America	Caribbean
Ratio to Total Sales			
Average Annual Occupancy	63.3%	66.4%	57.0%
Average Annual Room Rate	$55.56	$43.14	$76.36
Revenues			
Rooms	51.6%	51.3%	50.4%
Food	22.9	22.5	30.6
Beverage	10.1	10.0	11.6
Other Food & Beverage	1.3	1.6	0.7
Telephone	2.9	5.5	1.8
Minor Operated	1.9	2.2	1.3
Rentals & Other Income	2.4	2.6	2.3
Total			
Department Expenses			
Rooms	11.0%	9.4%	15.1%
Food & Beverage	27.0	26.4	33.0
Telephone	3.1	4.7	2.7
Minor Operated	0.9	0.6	0.3
Total	12.4%	17.9%	18.7%
Department Profit			
Rooms	41.5%	42.6%	37.1%
Food & Beverage	7.0	6.8	7.0
Telephone	0.2	0.5	(0.4)
Minor Operated	0.4	0.8	0.3
Rentals & Other Income	2.4	2.6	2.3
Total	56.3%	56.4%	45.3%
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related	5.6%	5.7%	6.5%
Other	5.5	5.5	6.2
Total	11.2%	11.2%	12.2%
Marketing			
Payroll & Related	1.0%	1.0%	1.0%
Other	4.1	2.7	6.2
Total	5.1%	4.0%	6.4%
Energy Costs	4.0%	3.6%	5.2%
Property Operations & Maintenance	7.2%	6.1%	7.9%
Total Undistributed Operating Expenses			
Income Before Management Fees	28.3%	30.5%	12.8%
Management Fees (Base & Incentive)	4.0	3.8	3.3
Income Before Fixed Charges	25.1%	30.5	11.3
Fixed Charges	10.8%	17.0%	6.1%
Income Before Income Taxes	8.3%	11.9%	1.7%
Reserve for Capital Replacement	2.8%	2.0%	**

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Region V
Currency Conversion Tables
1986 vs. 1985 Percentage of Change
Latin America/Caribbean

	1986 Factor [$US/(x)]	1985 Factor ($US/(x)]	Percentage of Change
Mexico*	0.00169	0.00395	(57.2)%
Subregion 1—South America			
Argentina	1.07270	1.98160	(45.9)%
Brazil	0.07238	0.16928	(57.3)%
Chile	0.00517	0.00620	(16.6)%
Colombia	0.00513	0.00702	(26.9)%
Ecuador	0.00577	0.01452	(60.3)%
Peru	0.07168	0.09563	(25.0)%
Venezuela	0.13333	0.13333	0%
Subregion 2—Caribbean			
Bahamas	1.00000	1.00000	0%
Barbados	0.49719	0.49719	0%
Bermuda	1.00000	1.00000	0%
Jamaica	0.18257	0.16528	10.5%
Netherland Antilles	0.55556	0.55556	0%
Puerto Rico	1.00000	1.00000	0%
Trinidad & Tobago	0.27778	0.40509	(31.4)%
British Virgin Islands	1.47109	1.32281	11.2%
U.S. Virgin Islands	1.00000	1.00000	0%

Source: *International Financial Statistics.*
*Mexican properties are included in total regional figures only.

APPENDIX I: EXPLANATION OF TERMS AND BASES USED

The accounting information has been accumulated using the 8th revised edition of the *Uniform System of Accounts for Hotels*, approved by the American Hotel & Motel Association, as a basis. The following paragraphs define the terms used in this study.

Room Sales

This category includes revenue from guest accommodations rented on a part-day, full-day, or longer period basis. The figures are net of any sales or turnover taxes and service charges paid to employees.

Revenue from public rooms ordinarily used for food and beverage service is not included in room sales.

Food Sales

This category includes revenue derived from the sale of food in restaurants, through room service or at banquets. Sales do not include meals charged by hotel management staff.

Beverage Sales

This category includes revenue from the sale of wine, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks. Sales do not include beverages charged by hotel management staff.

Minor Operated Department Sales

This category includes revenue derived from telephone, laundry and valet services. It also includes income from casino operations, pool club memberships and other departments operated.

Other Income

This category includes profit on foreign exchange, concession income and other income such as commissions from auto rentals, garage, parking lots and salvage.

Store Rentals

This category includes all income from rental of stores and showcases

Cost of Food Sales

This category includes the cost of food served to guests, together with transportation and delivery charges, at gross invoice price less trade discounts. The cost of employees' meals is charged to the appropriate department and does not constitute a part of the cost of food sold.

Cost of Beverage Sales

This category represents the cost of wines, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks and all other material served as beverages, or used in the preparation of mixed drinks, at gross invoice price less trade discounts, plus import duties, transportation and delivery charges. The cost of employees' beverages is charged to the appropriate department and does not constitute a part of the cost of beverages sold.

Cost of Minor Operated Department Sales

This category represents the cost of telephone, laundry and valet sales and any other minor operated department sales.

Rooms Payroll

This category includes salaries and wages of personnel of the rooms department (front office, doormen and porters).

Also included are the employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Food and Beverage Payroll

This category includes salaries and wages of personnel in the food and beverage department (purchasing, receiving, storage, preparation, service, dishwashing, cashiers, and control). Also included are all employee benefits, such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Minor Operated Department Payroll

This category includes salaries and wages of personnel in all minor operated departments, including telephone, guest laundry, valet, casino and pool. Also included are all employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions. House laundry and employee cafeteria payrolls are not included as they have been allocated to the various departments and are included in other expenses.

Other Expenses

The term "other expenses" can cause confusion. At first sight, it is a loose term—for example, the expression "wages and other expenses" could be interpreted as "wages and all additional expenses incurred in operating a facility." However, its meaning is precise and refers to direct departmental expenses incurred in the operation of a department or service (rooms department, sales office).

Rooms, Other Expenses

This category represents expenses other than rooms payrolls as defined above, such as rooms cleaning supplies, guest supplies, laundry, linen, reservation expenses, paper supplies and travel agents' commissions.

Food and Beverage, Other Expenses

This category includes items such as china and glassware, cleaning supplies, decorations, guest supplies, laundry, linen, music and entertainment, menus and beverage lists, silver and uniforms.

Minor Operated Departments, Other Expenses

This category includes items such as telephone equipment rental, laundry supplies, casino uniforms, casino entertainment and pool supplies.

Undistributed Operating Expenses

This classification is used for (1) administrative and general expense, (2) marketing expense, (3) energy costs, and (4) property operation and maintenance expense. Each of these can be considered as an individual entity. Some examples of the expenses included are:

- Administrative and general other expense includes cash overages or shortages, commissions on credit cards, collection charges, executive

office expense, general insurance, postal, legal expense, trade association dues, traveling expenses, accountants and consultants fees.

- Marketing other expense includes advertising in all media and applicable travel expenses and supplies.
- Energy costs include the cost of electrical power, fuel, steam and water.
- Property operation and maintenance includes the cost of repairing buildings, electrical and mechanical equipment and fixtures, floor coverings, furniture, grounds and landscaping plus the cost of electric bulbs, mechanical supplies and removal of waste matter.

Income Before Fixed Charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

There are thus three levels of profit in the study. The first level is departmental profit (rooms, food and beverage, minor operated); the second is gross income (the sum of departmental profits plus store rentals and other income); the third is income before fixed charges (gross income less undistributed operating expenses).

Room Statistics

The published number of rooms for rental in a hotel usually differs from the actual number of rooms available—only the rooms permanently available to the public are used in computing ratios.

The number of rooms available in a period (usually a year) is the number permanently available multiplied by the days in the period.

The number of rooms occupied is the sum for the period of rooms rented to guests daily.

The number of guests is the sum of the daily house counts for a period.

Rate of Occupancy

The rate of occupancy is derived from the room statistics above. The average annual room occupancy is the ratio of total occupied rooms to total available rooms.

Average double occupancy is represented by total number of guests divided by total number of rooms occupied. This result can be expressed either on a guests per room basis, or as a percentage. Thus.

$$\frac{\text{total number of guests}}{\text{total occupied rooms}} = \frac{75}{50} = 1.50$$

This can be expressed as a double occupancy of 50 percent, or as 1.5 guests per occupied room.

Average Rate

There are two quantities widely used to express rooms sales on a unit basis—average room rate and the average rate per guest.

The average room rate is defined as room sales divided by the total number of rooms occupied.

The average rate per guest is defined as room sales divided by the total number of guests.

Number of Times Average Room Rate Was Earned

This measurement of operating efficiency is calculated by dividing income before fixed charges (house profit) per available room by the average room rate.

Food and Beverage Department

The ratios in the restaurant department are based on total food and beverage sales. The single exception is cost of sales. Cost of food sold is expressed as a percentage of food sales. Similarly, the cost of beverages sold is expressed as a percentage of beverage sales.

Current Ratio

The current ratio is defined as current assets, divided by current liabilities. The current portion of long-term debt has been excluded from current liabilities.

Inventory Ratios

Inventory figures taken from the balance sheet have been directly related to operations.

Average inventory is the sum of opening and closing inventories divided by two.

The turnover ratios represent cost of sales divided by average inventory.

Accounts Receivable Ratio

Average accounts receivable is the sum of opening and closing accounts receivable divided by two.

The turnover ratio represents sales divided by average accounts receivable.

APPENDIX II: IMPACT OF CURRENCY FLUCTUATIONS

The dollar amounts reported in this study are 1986 U.S. dollars, converted using a 12-month average of exchange rates, obtained from the International Monetary Fund. The reader is cautioned that fluctuations in exchange rates can have significant impact on the U.S. dollar values presented in this report. The strength or weakness of the U.S. dollar against other currencies must be considered when analyzing the amounts in this report or comparing them to previous editions. An example of this problem during the years 1984 and 1983 is illustrated in the accompanying exhibit.

Comparing average room rates expressed in 1984 dollars, all three countries showed declining rates, including rather large declines in both the United Kingdom and Venezuela. However, if 1984 room rates are expressed in 1983 dollars, a noticeable difference occurs in the actual room rates, as well as in the percent change. Both Canada and Venezuela showed increased rates, while the United Kingdom indicates a negligible decrease.

During 1986, the value of the dollar rose sharply against some currencies, while declining compared with others. Readers should therefore exercise caution when using the U.S. dollar as a standard for comparing other currencies.

Average Daily Rate per Occupied Room

	Rates Expressed in 1984 U.S. Dollars			Rates Expressed in 1983 U.S. Dollars		
	1984	1983	Percent Change	1984	1983	Percent Change
Canada	$43.74	$43.81	(0.3)%	$46.45	$43.81	6.0 %
United Kingdom	29.66	37.35	(20.6)%	37.21	37.35	(0.4)%
Venezuela	45.90	77.47	(40.8)%	80.05	77.47	3.3 %

Figures in parentheses represent decreases.

Other publications relating to the lodging and leisure time industries are produced by Horwath & Horwath International (HHI) and individual member firms of HHI. Publications released by HHI can be obtained from the organization's headquarters in New York or any member firm. Publications produced by member firms are available directly from the HHI member firm that issues the publication. A directory of HHI member firms is on pages 126–128. A fee is charged for some of the listed publications and books.

HHI Publications

Worldwide Hotel Industry Flash
Trends in World Tourism (published in conjunction with the International Hotel Association)
Tourism Multipliers Explained (published in conjunction with the World Tourism Organization)
A Profile of Government Financial and Grant Aid to Tourism (published in conjunction with the World Tourism Organization)
Worldwide Hotel and Tourism Insight

Lodging Studies

Australia
Canada
Latin America and the Caribbean
France
Israel
Mexico
Netherlands
Paris
Portugal
Sweden
United Kingdom
United States (Individual studies are available for California, Florida, Texas and for selected segments of the hotel and related industries (see below).
Venezuela
West Germany

Other Leisure Time Industries Publications

United Kingdom:
Guidelines on Tourism Investment (published in conjunction with the World Tourism Organization)
Holiday Surveys Examined: A Pilot Guide to National Holiday Surveys in Western Europe by Professor S. Medlik
Hotel and Tourism Development (Jonathan Bodlender)—Presentation to the International Hotel Association and the American Hotel and Motel Association
Books written by personnel of the U.K. member firm of Horwath & Horwath (U.K.) Ltd. and Stoy Hayward and Co.:
The Business of Hotels by Professor S. Medlik
Hotel Accounts and Their Audit by Lawrence S. Fenton and Norman A. Fowler

United States:
Outlook: U.S. Lodging
U.S. Lodging Industry
U.S. All Suite Lodging Industry
U.S. Economy/Limited-Service Lodging Industry
U.S. Resort Lodging Industry
National Trend of Business in the Lodging Industry (plus various regional *Trends*)
Financing the U.S. Lodging Industry: Players and Techniques of the 1980s
California Restaurant Operations
Colorado/Wyoming Restaurant Operations
Restaurant Operations Report (published in conjunction with the National Restaurant Association)
Financial Results & Reporting Trends in the Gaming Industry
Books written by personnel of the U.S. member firm of Laventhol & Horwath:
Hotel Accounting by Ernest B. Horwath, Louis Toth and John D. Lesure
Planning and Operating Motels and Motor Hotels by George Podd and John D. Lesure
Profitable Restaurant Management by Kenneth I. Solomon and Norman Katz

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